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NATIONAL POLICY AND ISSUES

'JINGJI RIBAO' ON ROLE OF CENTRAL DEPARTMENTS

HK230806 Beijing JINGJI RIBAO in Chinese 17 Feb 83 p 1

[Report: "With Enterprises Handed Down to Local Administration, What Are the Central Departments in Charge To Take Charge of?--The Ministry of Textile Industry Provides Experiences in This Respect"--passages within slantlines published in boldface]

[Text] With enterprises handed down to local administration as a result of the reform of the economic management institutions, what are the central departments in charge to deal with? The Ministry of Textile Industry provides initial experiences in this respect and has been commended by leading comrades of the State Council.

There are more than 5,000 enterprises of various sizes in the textile industrial system throughout the country. Now, they have all been handed down to local administration. The Ministry of Textile Industry has never washed its hands of the business of these enterprises which are now under local administration; instead, it is devoting every effort to the following four areas:

//1. Grasp the planning guidance over textile production.// The Ministry of Textile Industry still maintains power over the unified distribution of raw materials for textile production. It is now carrying out planned management over the production of 11 products subject to state plans, including yarn, cloth, chemical fiber, woolen fabrics, silk fabrics and gunnysacks, and 9 products subject of the ministry's plans, including printed and dyed cloth, yarn used for knit cotton goods, knit goods made of long chemical fiber, knit goods made of wool and woolen blankets, and brings to a comprehensive balance the raw material supplies for, and the production and marketing of these products. The ministry lays down yearly plans and long-term plans for textile industrial bureaus in provinces, municipalities, and autonomous regions so as to ensure that the thousands of textile enterprises scattered throughout the country can handle their production according to state plans. This helps prevent blindness in production, to a certain degree.

//2. Grasp the means of production.// The Ministry of Textile Industry directly manages nearly 20 backbone factories producing textile machines in the country. Thus, it also maintains control over the design, production and

distribution of textile machines. This enables the ministry to arrange capital construction according to the development program of the whole trade and to build new factories in stages and by groups in a planned way. The ministry can also direct textile mills in various areas in carrying out technical transformation and replacement of their key equipment.

//3. Grasp technical policy.// Based on our country's actual conditions, the Ministry of Textile Industry laid down some major technical policies in the 1950's, such as employing both farm produce and chemical fiber as raw materials, making full use of the existing industrial foundation, and developing labor-intensive technology. The ministry always has carried out these policies, which have set forth clear objectives. Over the past years and more, when dealing with the design of new factories, scientific research projects and daily production technology, the ministry always has placed emphasis on the improvement of production efficiency of equipment rather than improperly seeking automation. In the last 2 decades, the textile trade used a large percentage of state investment for the production, application and development of chemical fibers.

//4. Grasp quota management in the whole trade.// Draw up and popularize unified technical standards, rules and regulations, and progressive methods of operation. For example, the ministry, through extensive surveys and calculations, has worked out unified norms for cotton consumption in the production of yarn. These norms are scientific and reasonable. It is easy for enterprises to follow these norms and to assess their work according to them.

In order to ensure the development of the whole trade, the Ministry of Textile Industry directly manages some major construction projects. In particular, it directly oversees the work of designing major construction projects in an overall way, importing equipment and technology, construction and installation, and checking and accepting after projects are completion. Moreover, the ministry also carried out overall planning for the tackling of major scientific research projects, the development of major products and the readjustment of product makeup and organizes interchanges of advanced domestic and foreign technology and activities of mutual aid between different areas and trades.

The management institutions of the Ministry of Textile Industry, which are characterized by flexibility and orderly management, have promoted the healthy and steady development of China's textile industry.

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NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ON SUN YEFANG'S REFORM IDEAS

HK211157 Beijing JINGJI YANJIU in Chinese No 2, 20 Feb 83 pp 5-11

[Article by Sun Shangqing [1327 1427 3237], Wu Jingliang [0702 2471 8854], Zhang Zhuoyuan [1728 0587 0337], Lin Qingsong [2651 7230 2646], Ho Junchao [7202 0193 6389] and Mao Tianqi [0379 1131 0796] of the Chinese Academy of Social Sciences: "On Sun Yefang's Thoughts on Economic Reform and Proposals on Policymaking"—passages within slantlines published in boldface]

[Text] Comrade Sun Yefang, a well-known economist in China, taking Marxism as the guide and through his penetrating observation and diligent study of socialist economic practice, not only created a socialist economic theoretical system characterized by his own distinctive features but also put forth a series of assumptions on the reform of and proposals of policymaking concerning the socialist economy on the basis of a serious analysis of the traditional economic system.

Conception of the Reform of the Economic System

Sun Yefang's conception of the reform of the socialist economic system was put forth under historical conditions in which the defects of the traditional economic management system had been revealing themselves with each passing day during the 1950's and early 1960's and made new advances during the end of 1970's and the early 1980's. His conception forms a relatively integral whole which has internal relations, rather than being fragmentary and not interrelated. This conception can be summarized into the following main points:

1. We must put an end to the practice of ruling the law of value out of socialist management planning and in a situation in which the law of value has ceased to be a spontaneous regulator, we must base socialist management planning on the law of value so as to give full play to the role of the law of value and to the functions of socialist management planning and to achieve maximum results with the minimum labor consumption.
2. The core of the establishment of a rational financial and economic system is the correct handling of the authority and responsibility relationship between the state and the enterprises. We must put the overcentralization of

power under the traditional economic management system to a stop, and on the premise that the state continues to preserve the expanded reproduction of the magnitude of value of funds, that is, the functions and powers of new investments, we must grant an enterprise the decision-making power in management prescribed within the limits of the scope of the simple reproduction of the magnitude of value of funds so that the enterprise will become a relatively independent business accounting unit.

On the premise that the pricing system is rational and the enterprises carry out state plans and follow state principles and policies, we must use the profit rate of funds to evaluate the results of the economic activities of enterprises, and the enterprises whose economic results are higher than the average profit rate of funds be regarded as advanced enterprises, while those enterprises whose economic results are lower than the average profit rate of funds be regarded as backward ones. Advanced enterprises are entitled to receive a larger share from profitsharing and more incentive funds. Corresponding to this, the enterprises must undertake the responsibility to hand over profits to the state in accordance with the amount of funds they use, with more payment of profits for more use of funds and less payment of profits for less use of funds. The greatest part of the surplus products created by the enterprises should be concentrated in the hands of the state.

We must put an end to the material supply system under which the means of production are put under state unified allocation and distribution and must bring the supply of the means of production in the internal sectors of the economy under the system of ownership by the whole people into line with the channels of circulation, that is, replace the traditional material supply system with the purchase and marketing relationship of exchange at equal value between different enterprises, a relationship which is widely based the contract system. The more production advances and the higher the degree of socialization of production is, the more efforts should be made to organize the process of circulation in a satisfactory way, to genuinely strive for free channels of circulation and a smooth and easy circulation of goods. By no means must we indulge in the practice of drawing a circle on the ground to serve as a prison, set up barriers between different regions and hinder the smooth process of socialist reproduction.

5. [As received] We must put an end to the existing irrational pricing system and implement the principle of pricing according to production price. Efforts should be made to gradually reduce the spread between the industrial and agricultural prices known to economists as the scissors, the price difference between light and heavy industrial products and between grain crops and industrial crops and so on.

The above-mentioned reform as conceived by Sun Yefang means in fact that he put forth a new pattern which is immensely different from the traditional economic system which had taken shape in the Soviet Union since the early 1930's. This pattern could be said to be the pattern of the planned economy which bases itself on the law of value and pays strict attention to economic results. It was advanced to counter the major drawbacks in China's existing management system.

China's present economic management system was introduced from the Soviet Union during the first 5-year PLA period. Just as the 3d Plenary Session of the 11th CPC Central Committee pointed out, overcentralization of power was the serious shortcoming of this system. With power being excessively centralized in the hands of the administrative organs at various levels, the enterprises lacked necessary independence in operation. On the one hand, this failed to satisfactorily encourage the enterprises to take an interest in social demand and on the other hand, failed to satisfactorily urge the enterprises to concern themselves with technological progress. Many men of insight became aware of this shortcoming of the traditional economic system as early as the mid-1950's. However, where did the crux of the problem of overcentralization of power lie? Was the power actually excessively centralized in the hands of the central authorities or in the hands of administrative organs? There were considerably different views on these questions among the people and as a result, the counter-measures adopted for reform varied accordingly. We hold that the decision adopted by the 3d Plenary Session of the 11th CPC Central Committee has correctly answered these questions. It points out that while expanding the decision-making power in management of the localities and enterprises, we must "vigorously streamline the economic administrative organs at all levels and transmit a greater portion of their functions and powers to the specialized companies or integrated companies of a business character; must resolutely act according to the economic laws, attach importance to the role of the law of value, pay attention to the integration of ideological and political work and economic means, and bring the enthusiasm of the cadres and laborers for production into full play" and demands that under the leadership of the CPC, we must "earnestly seek solutions to the phenomena of making no separation between party and government posts, of replacing the functions of the government with those of the party and of replacing the functions of the enterprise with those of the government."

However, when we look back at history we find that many people for a considerably long time held that the focal point of the reform was to divide power between the "departments" and "regions," that is, between the central and local administrative organs, avoiding the question of the relationship between the central and local authorities, while Sun Yefang on the other hand pointed out in 1961: "The central issue of financial and economic management system is the authority and responsibility of enterprises as the independent business accounting units and the relationship between this authority and responsibility and the state, that is, the issue of the rights of the enterprises in operation and management;" so long as this question is solved, the other questions, such as the relationship between the state and the localities can be easily solved. This is obviously difficult to attain, hence worthy of esteem.

He made a detailed analysis of all sorts of evil consequences resulting from the enterprises' lack of necessary decision-making power in operation and pointed out that the practice of the state replacing the enterprises in the management of concrete affairs concerning manpower, finances and materials as well as production, supply and marketing, affairs which should be put under

the overall planning of the enterprises themselves, seriously bound the enterprises hand and foot, restricted their initiative, hindered the renewal of equipment and technological progress of the enterprises and at the same time, caused the state to be bogged down in the round of day-to-day work. As a result, the major plans for the long-term construction of the whole national economy and overall balancing work were neglected. Furthermore, he proved the necessity of expanding decision-making power from the angle of strengthening the position of the laborers in the enterprises as the masters of the country.

It must be pointed out that the independence of the enterprises which was expounded by Sun Yefang is the relative degree of independence under state unified leadership rather than the kind of independence which deviates from state unified leadership. In light of this concept, Sun Yefang put forth the "method" (that is, the criterion) of dividing the "power over major issues" which the state should wield and the "power over minor issues" which the enterprises should enjoy. That is to say, the magnitude of value of funds is taken as the demarcation line between simple reproduction and expanded reproduction. Sun Yefang said: "The matters within the limits of expanded reproduction are matters which the state should grasp by using its 'major power.' The state should strictly control these matters. Failure to control or not controlling strictly enough will lead to chaos. The matters within the limits of simple reproduction are matters which the enterprises should look after themselves by wielding their 'minor power.' Excessive state interference in this respect will lead to overrigid control." He advocated that we should uphold the situation in which the "major power" over the investment in expanded reproduction be put in the hands of the state and the power to use the depreciation funds of fixed assets be totally delegated to the enterprises; that any activities to change the production orientation of the existing enterprises and the traditional supply and marketing relationships and to organize the supply and marketing relationships of the newly run enterprises fall into the category of the state's "major power," and any activities to make supply and marketing contracts, and to decide through consultation the supply and marketing quantity and the concrete product varieties and designs and specifications between different enterprises, within the limits of the existing production orientation and the supply and marketing relationships, are matters within the enterprises' "minor power." In a situation in which an enterprise's technology is constantly advancing, equipment is being steadily updated and labor productivity is continuously improving, the simple reproduction of the magnitude of value of funds of the enterprises will invariably become expanded reproduction in terms of the amount of material investment. This expanded reproduction of the amount of material investment must also be matters within the limits of the authority of the enterprises.

How, then, should the state regulate the economic activities carried out independently within the limits of the enterprises' "minor power?" The traditional socialist economic system manages this part of economic activities mainly by adopting the method of transmitting various material targets to every level of the internal departments of the enterprises from top to bottom. Sun Yefang holds that this method is in fact a method for the state to replace the enterprises in managing the matters for which it should make

overall planning, and is thus a method of "lifting up the legs of an ox." He points out that "except for a tiny number of national projects," the targets which fall into the category of use value, that is, material targets, "should be delegated to the lower units level after level and they should be solved as far as possible by means of adopting the method of the contract system and the method of the direct contact of the two parties--the suppliers and the users--between different localities and different enterprises. He proposes that in administering the enterprises, state administrative organs should pay particular attention to the targets of value. The targets which the authorities at the central level and in particular, the State Planning Commission and State Economic Commission should grasp, must be the most important key link in the whole target system and this is, as he sees it, the targets of profits. Problems can be readily solved by grasping this key link in enterprise management, just as an ox can be easily led forward by holding the halter.

In recent years, Sun Yefang repeatedly reaffirmed that the "method" of dividing simple reproduction and expanded reproduction according to the magnitude of value of funds is the crux of the question of correctly solving the state's power to manage the economy and the decisionmaking power of the enterprises in management, and deemed that this method "opposes both the centralized bureaucratic economy and extremely decentralized anarchy."

The "method" of dividing the functions and powers of the state and the enterprises, a method which was advanced by Sun Yefang and is of great practical significance, undoubtedly needs further probing and further testing in practice. However, his contention that efforts should be made to expand the decisionmaking power of enterprises in operation and strive to correctly integrate state centralized leadership with the independent operation of the enterprises so as to bring into fully play the initiative and enthusiasm of the enterprises for production and operation, the renewal of equipment and technological progress and at the same time so as to ensure the planned and proportionate development of the national economy is indeed a view of great value for reference.

Sun Yefang's propositions, such as that a socialist enterprise must have the independence in operation and targets of value under the centralized and unified leadership of the state and of this, in particular, the targets of profits must be taken as the "nose of an ox" for the state to administer the enterprises and promote their management, were regarded for a considerably long period as the "revisionist trend" which denied the socialist planned economy. This is in fact a misunderstanding. In his opinion, the socialist economy is in essence a planned economy and adherence to the planned and proportionate development of the socialist economy is an unshakable principle of our economic management system. However, the socialist economy is based on socialized mass production and is not a self-sufficient national economy. Therefore, adherence to the planning of the socialist economy does not definitely mean the disappearance of the role of the law of value but just on the contrary, "this law will always exist and function and what is different is only the ways it functions and the ways this law displays itself."

He holds that the law of value is an economic law which cannot be abolished by any socialized mass production, and points out: "The secret of developing production lies in how to reduce the average amount of socially necessary labor." Under socialism, since free markets are subject to restrictions, the law of value which plays a role in the capitalist commodity economy has become insensitive, but it still exists and functions, and "the law of value and the management planning of the national economy are not mutually exclusive and in the meantime, they are not two parallel laws, each going its own way." "Only when planning is based on the law of value, can planning become real planning and can the functions of planning be brought into full play." A host of facts have repeatedly proved that "ignoring the law of value and acting exclusively on subjective intentions" will surely cause us to suffer more merciless punishment from the law of value. The starting point and end-result of Sun Yefang's conception of economic reform are to attempt to fundamentally restructure the past traditional economic system which was based on the theory of the natural economy and the theory that willpower decides everything, and to strain all efforts, within the limits of the socialist planned economy, to establish a highly efficient economic revolving mechanism which can give full play to the role of the law of value and achieve the maximum results with the minimum labor consumption, so as to ensure that the needs of the steady growth of the national economy, and of the increasing improvement of the level of the material and cultural life of the working people, can be satisfied to the greatest extent. This is where the key to bringing into full play the superiority of the socialist planned economy lies.

In line with this, Sun Yefang deems that in the socialist economy, the principle of the leading role of the planned economy and the supplementary role of regulation by market mechanism should be upheld. The power to make investment in expanded reproduction which can bring about a change in the proportional relations of the national economy must be part of the state's "major power" and be put under state management by means of planning. As far as regulation by market mechanism is concerned, it refers to "arranging or re-adjusting our production targets in accordance with the relationship between market supply and demand and the fluctuations of market prices." If we regulate the proportional relations of the whole social production entirely in accordance with the relationship of market supply and demand and the fluctuation of market prices, we will be completely manipulated by the spontaneous role of the law of value, as is the case in the capitalist economy. However, because "there still exist different systems of ownership;" "our planning methods are far from perfect,;" and "our commodity reserves are still inadequately abundant," so our planned economy still needs regulation by market mechanism as the supplementary means. However, the regulation by planning which he stresses does not mean that we can neglect the role of the law of value, and we must not subjectively decide our economic plans and economic policies (including the pricing policy).

Sun Yefang says that any plan of the national economy should have legal effect and without legal effect, there will be no possibility of guaranteeing the planned and proportionate development of the national economy. However, "what the central authorities directly control from top to bottom is only

the total amount of new investment at the various planning stages, the production orientation, the scale (also mainly to control the total amount of investment) and sites as well as their coordinating relationships. That is to say, they only grasp the problem of expanded reproduction of funds." "As for the supply, production and marketing relationships of existing enterprises (including the coordinating relationships of the projects under construction), they will be realized through the form of economic contracts." If the enterprises' plans for production, supply and marketing are not formulated on the basis of the contract system and if they passively receive the plan targets "forced onto" them from top to bottom and organize their production, supply and marketing according to the targets distributed by the higher authorities, this will result only in the serious dislocation between social production and social demand and in the disruption of the overall balancing of the national economy.

In accordance with the assumption of drawing up the production plans within the limits of the simple reproduction of the enterprises on the basis of the contract system, Sun Yefang maintains that the traditional supply system of the means of production of the "ration system" type, which is designed in light of the "theory of non-circulation," must be reformed. He considers that the practice of ruling the means of production out of the course of circulation is a manifestation of the theory of the natural economy and also a reflection of the "theory of non-circulation" in the practice of the socialist economy, and points out that it has brought serious consequences to the national economy. First, the practice of material allocation causes the funds of enterprises to lose their relative fixedness and is detrimental to the independent business accounting of the enterprises, and is thus a "method of everybody eating from the same big pot." Second, since socialist production is the socialized mass production which is composed of thousands upon thousands of enterprises, big or small, which practice independent business accounting, the adoption of the material-rationing method from top to bottom will make it difficult to ensure a balance in the diverse varieties and specifications of material and equipment in the national economy, or to ensure that all enterprises can deliver goods on time, and will thus certainly lead to both stockpiling and shortage in terms of supply of goods and materials, and hinder the scheduled completion and commission of newly-built enterprises and the normal process of the reproduction of existing enterprises. If we replace it with the purchase and marketing relationships between different enterprises based on the contract system, bring the capital goods supply into line with the channels of circulation, establish the economic coordinating relationship among all major economic zones, provinces, municipalities and localities throughout the country, and in particular, between different enterprises under which exchanges of products are carried out among them according to the principle of exchange at equal value, and fix this relationship in the form of a contract, and on the premise of not changing the production orientation of existing enterprises, if the two parties concerned can independently discuss through consultation and make contracts on the quantity, varieties and specifications of the supply and marketing of the products of various enterprises, then a planned circulation of social products can be established. Thus, the overall balancing of the national

economic plans and in particular, the balance in goods and materials can be established on the production, supply and marketing contract system between different enterprises--this reliable foundation.

To counter the common failing--the problem of the overstretched capital construction front--which has for a long time existed in China and in other socialist countries, Sun Yefang made a proposal that "before the construction of any factory, mine or enterprise is started, the constructing unit (operating unit) and the contracting unit, that is, both the first party and the second party as we usually term them, must sign a contract including the date of completion and commission of a project. Apart from this, the constructing unit must sign a contract on equipment supply with the unit which will supply the equipment, and must also sign contracts on production, supply and marketing with the units which will supply the energy and raw and semi-finished materials. They must also sign contracts with the units which will market the products after completion and commission of the projects. If a production project fails to be put into commission on schedule because of delay by the constructing unit or failure to supply equipment in time, or if an enterprise has to suspend production after being commissioned because energy and raw and semi-finished materials have failed to be supplied according to the regulations of the contracts or because the units who contract for the sale of the products fail to market the products on schedule, then these units must compensate the losses incurred therefrom in accordance with the regulations of the contracts. If the products are produced and marketed by the production units through their own channels, then the construction units and the higher authorities which approved this capital construction project must bear administrative responsibilities." In the national economic plans, apart from those where the total amount of investment is worked out from top to bottom by the central authorities or the provinces and municipalities in accordance with the state's financial budget, the remaining ones should be based on contracts and should take the supply, production and marketing contracts of the enterprises as the foundation, and should be set by adopting a comprehensive (or converging) top-to-bottom method. Moreover, those contract relationships will all be guaranteed by law. The enterprises will be happy to implement the plans set in this way and such plans will be conducive to ensuring that the quality, varieties and specifications of the products will suit social demand.

Proposals Concerning Economic Policies

In his economic research activities, Sun Yefang has successively made quite a few correct and thorough economic proposals on policymaking. These proposals on policymaking were understood by more and more people after the 3d Plenary Session of the 11th CPC Central Committee. While affirming the achievements of his research work, our party and government have highly appraised some of his economic proposals on policymaking. Some of them have been accepted.

His economic proposals on policymaking are composed mainly of the following things:

//First, the proposal concerning relying mainly on the technical transformation of existing enterprises with regard to China's modernization program.// Technological progress has an extremely great impact on the improvement of labor productivity and the development of the national economy. This is universally acknowledged. However, to realize the magnificent strategic objective of China's economic development, must we actually rely mainly on the importation of new technology and equipment and the construction of new enterprises or mainly on the technical transformation of existing enterprises? This is a strategic question of principle and policy of vital importance.

As early as the end of the 1950's and the early 60's, Sun Yefang suggested that "the renewal of the fixed assets of old industrial bases and old enterprises requires small investments but yields significant results," we should attach importance to the updating of equipment and technical transformation of old enterprises and not place the technological progress of socialist industry on the small number of newly-built enterprises. After the smashing of the Jiang Qing counterrevolutionary clique, with the shift of the focus of work of the whole CPC to socialist modernization, he reaffirmed this suggestion once more and proposed that the reliance mainly on the technical transformation of the existing hundreds of thousands of old enterprises should be regarded as an important part of taking a distinctively Chinese modernization path; and used large numbers of domestic and foreign data to make full deliberations for his contention. He said that to realize the magnificent objective put forth by the 12th CPC Congress to strive to quadruple the annual gross value of industrial and agricultural production on the premise of steadily improving economic results, we should at least quadruple industrial output value, and while constructing a batch of new enterprises equipped with fairly advanced technology which are to be taken as an important means for realizing the proportionate development of social production, we should rely chiefly on the technical transformation of the nearly 400,000 industrial enterprises rather than take the old path in which at the mention of developing production, we would readily undertake new capital construction projects and open new stalls, and expand our production capacity on the basis of old equipment, techniques, materials, products and old technology. This is because no matter how rapidly we accelerate the tempo of construction, the factories which are newly constructed or expanded and newly commissioned every year invariably constitute a small number and the existing enterprises account for the vast majority. If we fail to try to renovate and transform the equipment of existing enterprises and set our eyes exclusively on a few new enterprises which are commissioned every year, it will be impossible to modernize our industry in an overall manner. However, if we not only rely on new enterprises but at the same time rely mainly on the technical transformation of existing enterprises and concurrently restructure the existing irrational economic management system in increasing production in the future, then, our economic results will be higher, the growth rate will be faster and the realization of the magnificent strategic objective put forth by the 12th CPC Congress will have a reliable technical and economic guarantee.

The rationality of this proposal of Sun Yefang has been proved by the many years of practice of China's economic development. Since the government has

accepted his proposal, it will exert a tremendous influence on China's future socialist modernization program.

//Second, the proposal concerning steadily raising the depreciation rate for fixed assets, shortening the time limit for depreciation and facilitating the renewal of equipment of enterprises.// Sun Yefang holds that China's long-standing technical backwardness resulting from the slow renewal of fixed assets is directly related to our adopting the present management system of fixed assets and above all, to the low depreciation rate system. Therefore, he has repeatedly pointed out that in order to help the several hundred thousand existing old enterprises to develop production at a rate not lower than that attained during the first 5-year plan period in a short time, and proceed to bring about a remarkable improvement in the well-being of the people in a relatively short time, we must "restructure the equipment management system of 'reproducing antiques' and 'freezing technical advance' which is still being implemented in industry." For this purpose, he suggested that first, we should raise the depreciation rate and shorten the time limit for depreciation and second, that is, by the 1990's, when we will have ushered in a new period of vigorous economic development in China, we should still gradually increase the depreciation rate until the depreciation rate is in line with the real consumption of fixed assets. Only in this way, can the updating of the fixed assets of enterprises be speeded up and the rapid advances of the technical transformation of enterprises and the national economy be promoted.

Raising this question to the high plane of theory, he pointed out that the depreciation rate system which has been for quite some time implemented in China and which is far divorced from reality, or the adoption of the erroneous policies for updating equipment, was the result of the erroneous views which failed to recognize invisible wear and tear or failed to include invisible wear and tear in the reckoning of the depreciation rate, even if it is recognized. A socialist state-run enterprise is an economic unit practicing independent business accounting. Provided we recognize this point, we have necessarily to recognize invisible wear and tear, including the invisible wear and tear which falls into the first category and that which falls into the second category. They are all a kind of objective reality resulting from technological progress, and we must therefore recognize that the depreciation rate of fixed assets must conform to the real consumption of fixed assets (including tangible and invisible wear and tear). His suggestion has full theoretical basis and tallies with actual conditions, and it is therefore understandable for the government to accept this suggestion.

//Third, the proposal concerning raising the prices for agricultural products, and gradually narrowing and eliminating the price scissors between industrial and agricultural products.// He has invariably opposed the subjective pricing policy and insisted that we should act according to the law of value and implement the principle of exchange at equal value. He maintains that the price scissors between industrial and agricultural products are contrary to the principle of exchange at equal value. The adoption of the policy of preserving for a long time and even widening this kind of price scissors infringes upon the interests of the peasants, and is neither conducive to

growth of agriculture nor conducive to the consolidation of the alliance of workers and peasants, and is thus an extremely harmful policy. Proceeding from China's actual conditions and starting from the 1950's, he appealed to the public to gradually narrow and ultimately eliminate the scissors differential between the prices of industrial and agricultural products and to steadily increase the purchasing prices for agricultural products.

Sun Yefang points out that the peasants must provide socialist construction with a certain quantity of accumulation, but the previous method of achieving accumulation from agriculture through the price differences in industrial and agricultural products was apt to give rise to malpractices, and it would be better to adopt the form of taxation (direct tax) to collect accumulation. Therefore, he proposed that we should gradually replace the two forms of burden which the peasants should undertake to the state, that is, the forms of direct tax and of achieving accumulation indirectly through pricing--this economic level with a unique form of agricultural tax. This method would not only not reduce the state's present revenues from the peasants, but also contribute to arousing the enthusiasm of the peasants for developing production. Facts have proved that his suggestion and the decisions adopted since 1979 by the CPC and the people's government on raising the purchasing prices for farm produce and sideline products by a big margin, are identical in spirit. This important policy of the CPC and the widespread implementation of the agricultural production responsibility system have brought about stable and big increases in China's agricultural production over the last few years.

//Fourth, the proposal concerning restructuring the pricing system and pricing on the basis of production price.// He has invariably insisted that in the socialist planned economy, we should formulate a rational pricing system with economic bases. He considers that rational prices are an important prerequisite for correctly carrying out business accounting and paying due attention to economic results, and also an important condition for doing a good job in the overall balancing of the national economy. With irrational prices, not only will we have no way to perfect the business accounting system but we will have no clear picture of and even invert the various proportional relations of the national economy. He humorously said that striking an overall balance while prices are irrational is more or less the same as looking at oneself in a distorting mirror, resulting in complete distortion of our real appearance. It is precisely because of this that he does not agree to taking the indiscriminate use of pricing as a lever to redistribute the national income. We have paid excessive attention to taking pricing as a means to redistribute the national income. This is also an important reason for the irrational pricing system.

Sun Yefang holds that the rational pricing system must be based on production price. As early as the 1950's, he proposed that we should base our pricing on production price. Quite a few people held in the past that Sun Yefang's proposal concerning pricing on the basis of production price was borrowed indiscriminately from the views of some Soviet economists. This is not a fact. This proposal of his was put forth around about 1956 when we discussed the controversy of whether or not the prices of heavy industrial

products should be lowered. Sun Yefang held that we should use the profit rate of funds to weigh up whether the price of a product was high or low. This meant, in essence, advancing the view of pricing on the basis of production cost. Later on, in discussing the methods for calculating the returns on investment, together with some other comrades, Sun Yefang maintained that we should take the repayment period of investment as the main target for observing and checking the returns from investment. This also meant, in essence, calling for using the profit rate of funds as the criterion for appraising the returns on investment in all departments. To use the profit rate of funds to appraise the returns on investment in all departments and to make a comparison between them, we should have a unified criterion applicable between different departments, that is, the average profit rate of funds. As we all know, the average profit rate of funds and production price are closely related.

Sun Yefang appreciates that a price is a social appraisal of a product. The profits of products calculated according to the departmental cost plus the average profit rate of funds, that is, pricing on the basis production price, economically recognizes the form of the means of production (funds) playing a restrictive role in the quality of labor productivity (different enterprises in the same department) or in the speed of the growth rate (different production departments). This can play an active role in putting funds to rational use and raising the social labor productivity as a whole.

This proposal of Sun Yefang's has experienced protracted tests in practice. With more and more importance attached to the results of the use of funds and particularly with the carrying out of the reform of the economic system, this proposal has been understood and accepted by more and more people and has been adopted as one of the plans for calculating theoretical prices.

//Fifth, the proposal concerning strengthening statistics work and ensuring the independence of statistics work.// Sun Yefang did the leadership work of the National Statistic Bureau in the 1950's and he is thus well experienced in statistics work. Seeing that the inflated statistical figures made in the end of the 1950's and during the "Great Cultural Revolution" brought about serious harmful consequences to the planning and arrangements of the national economy, he has repeatedly over the last few years written articles and made speeches to stress the strengthening of statistics work and insisted that this is the important condition for doing a good job in the overall balancing of the national economy. In order to ensure the accuracy of statistical figures, he maintains that statistics work should be independent and that we should change the former system under which the planning commissions concurrently administer or lead statistic organs into a system under which statistic organs are put under the direct leadership of the State Council and the governments at various levels and it would be best to put the statistic organs at all levels under the direct leadership of the standing committees of the people's congresses at various levels as the case of procuratorial organs. When Premier Zhao Ziyang went to the hospital to call on him on 23 November 1982, Sun Yefang, who had difficulty in speaking, still said that he hoped the CPC Central Committee would attach importance to statistics work. Statistic work should be independent and in this way it can be reliable. Premier Zhao Ziyang said that his suggestion was correct. Without statistics, there will be no planning.

From the above-mentioned review, we can readily see that a "minimum--maximum" "red line" runs through Sun Yefang's thought of economic proposal of policy making as well as his conception of economic reform, and they are all established on the foundation of his theory of value. Moreover, they have taken deep root in the soil of the practice of socialist economic construction. 18 January 1983

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NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ON PLANNING, LAW OF VALUE

HK241459 Beijing JINGJI YANJIU in Chinese No 2, 20 Feb 83 pp 22-23, 80

[Article by Zhuo Jiong [0587 3518] of the Social Sciences Institute of Guangdong Province: "On Planned Economy and the Law of Value--Impressions After Rereading Comrade Sun Yefang's 'Place Plan and Statistics on the Basis of the Law of Value'"]

[Text] Back in the 1950's, Comrade Sun Yefang wrote a treatise entitled "Place Planning and Statistical Work on the Basis of the Law of Value." (See Sun Yefang: "Place Planning and Statistical Work on the Basis of the Law of Value" in JINGJI YANJIU No 6, 1956. There will be no footnotes to subsequent quotations from this treatise) He really deserves praise for attaining a high standard of Marxism in this treatise, because at that time a view mentioned at the beginning of his treatise did prevail. According to that view, the law of value is a category peculiar only to commodity economies and, therefore, does not play a role in socialism because socialism exists as a planned economy; the law of value is found to exist in socialism for the time being and still plays a definite role in the circulation process because there exist two different systems of public ownership, thus giving rise to exchange relations. Today, the situation is different and an overwhelming majority of people acknowledge that the socialist economy is both a planned economy and a commodity economy. Nevertheless, I think it is still necessary to propagate Comrade Sun Yefang's viewpoints. I will therefore discuss my impressions of his treatise.

In the first place, I wish to declare that I differ with Comrade Sun Yefang on a point. He thinks that the law of value holds true both in a commodity economy and in communism, but I think that this law is peculiar to commodity economies, and if it is at work in communism, then communism also amounts to a commodity economy. The cause of this disagreement is that he links the production of commodities to the transfer of ownership. He said: "If we agree that transfer of ownership is the basis of the exchange of commodities, then we should acknowledge that economic dealings between state enterprises essentially do not amount to an exchange of commodities." ("Certain Theoretical Questions Concerning the Socialist Economy," The People's Publishing House, 1979 edition, p 80) This viewpoint was originally put forth by Stalin. I think it is not in line with Marx's ideas.

In his treatise, Comrade Sun Yefang first expounded the role of the law of labor value in a commodity economy, elaborating on it from two angles.

Comrade Sun Yefang said that in a commodity economy, the value of any commodity is created by labor and, therefore, the magnitude of a commodity's value is determined by the quantity of labor expended in producing this commodity, that is, by labor time. However, a commodity's value is not determined by the labor time provided by individual producers of the commodity, but is determined by the average socially necessary labor time. Therefore, if the labor time used by an individual producer of a commodity exceeds the average socially necessary labor time, he still has to sell his commodity at a price based on the average socially necessary labor time. Thus, he may fail to earn a profit. He may even incur losses and his business may finally come to an end. Conversely, if the labor time used by the producer of a commodity is less than the average socially necessary labor time, he may reap extra profits and his business will prosper. Therefore, like a merciless whip, the law of value urges producers of commodities to keep the labor expended in production below the average socially necessary time, to strive for technological advancement and to improve management and operation. Consequently, this prompts the continuous development of the productive forces.

Second, the law of value can also play a regulatory role in production and help maintain a certain degree of equilibrium in social production.

Under the condition of capitalism, the production of commodities is aimless and spontaneous. Therefore, equilibrium between supply and demand is often disrupted and price continually fluctuates around value. That is to say, when the supply of certain commodities exceeds the demand, their prices will surely fall, signaling a glut of the commodities. When the demand for a commodity exceeds the supply, its price will surely rise, signaling a shortage in producing the commodity. In this situation of fluctuations, producers of commodities respond in an orientation that brings about profits. Therefore, transient equilibrium can be achieved and the development of production can also be promoted.

The law of value simultaneously plays both of these roles. The first concerns a specific commodity and can be called microeconomic regulation; the second concerns a category of commodities and can be called macroeconomic regulation.

Comrade Sun Yefang correctly says that even though the exchange of commodities will no longer exist in the communist society and products will no longer be commodities, the aim of social production will be the creation of use value and not value. Use value is invariably created by labor or, in other words, it invariably involves the expenditure of a certain quantity of labor. Now, if a cost is incurred, we must naturally consider the magnitude of the cost. What we call labor productivity precisely refers to the quantity of labor expended. Divorced from a calculation of the quantity of labor expended, labor productivity will become intangible. Under the condition of socialism, if "the role of the law of value in the socialist economy is negated or underestimated, then the importance of calculating the average socially necessary labor time is also negated. Thus, in setting planned and statistical targets,

we emphasize the quantities of material products at the expense of value, and emphasize the fruits of production (what is called 'total output value,' that is, gross output) at the expense of analysis of the composition of these fruits (that is, the proportion of new output value and the proportion of transferred output value, or the proportion of net output value and that of consumption of materials). We do not emphasize how to raise labor productivity, which is based on calculation of average socially necessary labor, so as to attain the final goal of increasing material wealth." The secret of developing production is to reduce the average socially necessary labor and to use the method of improving technology, management and operation to enable the consumption of labor (including living labor and materialized labor) by the minority of backward enterprises to fall to a level comparable with the majority of intermediate enterprises, to enable the majority of intermediate enterprises to catch up with the minority of advanced enterprises and to enable the minority of advanced enterprises to achieve further advances. Continuous competition among the backward, intermediate and advanced enterprises in reducing average socially necessary labor is the broad road to development in production and social prosperity." [Quotation marks as published] I think this is the key link that we must grasp in our current rectification of enterprises.

Under socialist conditions, the free market is absent or is restricted. Under this condition, the law of value becomes insensitive, but it still exists. Therefore, it is even more necessary for us to pay attention to it, to seek, discover and respect it through calculation, and to further master it so that it can serve us. Otherwise, it will penalize us more severely than it penalizes capitalists." [Quotation marks as published] Over the past years, Comrade Sun Yefang's prediction has come true. We have been really more severely penalized by the law of value.

The treatise also discussed the two laws expounded by Stalin, namely, the basic economic law of socialism and the law of planned proportional development.

Comrade Sun Yefang said: "Another way of expressing this law of Stalin's is: High-powered development of labor productivity to ensure maximum satisfaction of society's needs." "However, high-powered development of labor productivity requires us to master the law of value." Therefore, he thinks that the simplistic stressing of use value is a one-sided viewpoint. Use value, on one side, and value, on the other, as the creation of greater material wealth by means of the same quantity of labor on one side and consuming a reduced quantity of average socially necessary labor to create the same quantity of material wealth on the other, are two sides of a coin or two aspects of the same process, which cannot be viewed in isolation. None of these two aspects can be neglected. I think this is absolutely compatible with Marx's theory of consumption of labor. According to Marx, the starting point of political economics is to study the relationship between cost and result or, under the condition of production of commodities, the relationship between value and use value. The two factors of commodities as discussed by Marx are specific manifestations of cost and result. We should say that without a study of consumption of labor, there will not be any political

economics. There is also no exception for bourgeois political economics. This is why capitalists are most keen on raising labor productivity and lowering costs.

Concerning the relationship between the law of value and the law of planned proportionate development, Comrade Sun Yefang said: "The planned proportionate development of the national economy can be achieved only if it is based on the law of value." "Those economic policies (including pricing policies) and economic plans which are formulated according to subjective will alone, without consideration of the law of value, will ultimately disrupt all proportional relationships and hamper the rapid development of the national economy. The subjectivist stressing of planning will only cause plans to be divorced from reality." Therefore, "only by placing planning on the basis of the law of value can realistic plans be drawn up and can the efficacy of planning be fully brought into play."

I think this viewpoint of Comrade Sun Yefang is based entirely on Marxist theory.

Marx's law of value has two implications, namely, the microeconomic and macroeconomic implications. The microeconomic implication is that consumption must be reduced, and the macroeconomic implication is that social labor must be distributed among various realms of production proportionately and in a planned way. If the law of value must undertake the task of prescribing the proportionate distribution of social labor, why must we have, in addition, the law of planned proportionate development? Precisely in view of this, Comrade Sun Yefang said: "Aside from statistical work on material wealth, we should pay greater attention to the calculation of value in regard to material production, that is, we must pay greater attention than we currently do to the calculation, analysis and study of costs and labor productivity, to the drawing up of tables of national economic equilibrium, to the calculation, analysis and study of national income and to the study of proportional relationships between national income and fiscal revenue, between production on one hand and accumulation and consumption on the other."

This treatise of Comrade Sun Yefang tells us that whether we presently believe in the commodity economy or not, we must respect the law of value. Therefore, taking the planned economy and the law of value as my topic, I want to loudly propagate Comrade Sun Yefang's viewpoints. I think this is an important question concerning the prosperity or decline, survival or perishing of our country. Because in his treatise Comrade Sun Yefang has already very clearly explained his viewpoints, I have only mentioned some of his salient points without redundant elaboration.

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NATIONAL POLICY AND ISSUES

'JINGJI RIBAO' CALLS FOR STEPPING UP TAXATION WORK

HK040805 Beijing JINGJI RIBAO in Chinese 24 Feb 83 p 2

[Commentary by JINGJI RIBAO reporter: "Strengthen Taxation Work, Ensure Accomplishment of Task of Annual Revenue"]

[Text] The country's industrial and commercial taxes in 1982 amount to 59.958 billion yuan, topping that in 1981 by 10.6 percent and overfulfilling the 1982 taxation plan by 4.8 percent. This has played an active role in ensuring the national revenue, fundamentally balancing revenue and expenditure and promoting the readjustment and development of the national economy.

The relatively big increase in last year's industrial and commercial taxes is chiefly attributable to the following several reasons:

1. The development of production created conditions for increasing tax revenue. The country's gross industrial output value in 1982 topped that in 1981 by 7.5 percent. According to preliminary statistics, tax revenue from the industrial sector in 1982 topped that in 1981 by 9.2 percent. Tax revenue from commerce, communications, transportation and service trades in 1982 topped that in 1981 by 17.5 percent, thanks to the continued development of industrial and agricultural production, the ample supply of goods, the brisk market and the big increase in the retail of commodities. As a result of the institution of the responsibility system for agricultural production and the unprecedented upsurge in the peasants' enthusiasm in production, the state purchased more farm and sideline products than it did in 1981 and the tax revenue deriving from the marketing of farm and sideline products in 1982 topped that in 1981 by 31.4 percent. The collective enterprises developed their production and achieved better economic returns and, as a result, the profit in taxes they submitted to the state in 1982 topped that in 1981 by 10.5 percent.

2. Tax revenue fully played the role of an economic lever. To promote the development of production of goods in short supply, taxes on cement, plate glass, raw coal, soap, rubber-soled shoes, condensed milk, milk powder and washing powder were reduced in 1982. In order to promote readjustment of the national economy and restrict any blind development of enterprises run by communes on above-quota industrial and commercial profits earned by commune- and brigade-run enterprises which are situated in cities, suburban areas and towns under county jurisdiction and which produce or deal with the 20 varieties of goods such as tobacco, wine, sugar, cotton yarn and wristwatches.

Higher taxes were levied on crude oil and other products in order to readjust the profits of manufactured goods. The above measures played the role of an economic lever in readjusting taxes and increased national revenue.

3. The major sources of revenue were vigorously grasped in strict accordance with the policy. In 1982, in order to increase revenue, various localities strengthened their work of collecting taxes on tea and tobacco leaves and other farm and sideline product from which a great amount of taxes could be derived. The national revenue derived from tea and tobacco leaves last year topped that in 1981 by 29 percent.

4. The work of stopping tax evasion and settling arrears of taxes was carried out. Last year, through this work, Hunan Province collected over 50 million yuan in taxes which had been evaded or were overdue. The tax bureau of Shenyang city, Liaoning, organized a group of more than 300 tax inspectors, who, in October last year alone, retrieved evaded or overdue taxes amounting to 2.6 million yuan.

Although relatively good results have been achieved in the work of collecting industrial and commercial taxes for 1982, there still are many defects and loopholes. An outstanding problem was that in some localities, tax supervision was loose and the tax laws were not enforced so that by year's end taxes in arrears amounted to 3.8 billion yuan, exceeding that in 1981 by 11.3 percent. In some other localities, a rigorous management system was lacking, so that some taxes were not paid on time. These problems need to be solved seriously in the new year by adopting relevant measures.

The year 1983 is the first year in which an all-round new situation is created in the socialist modernization. The industrial and commercial taxes account for almost 60 percent of the national revenue, so that whether the task of collecting industrial and commercial taxes has been accomplished well or poorly is of vital importance to the balance of revenue and expenditure. For this reason, while quickening the pace of substituting taxes for profits to be submitted to the state, the tax departments in various localities should pay close attention to acquiring and accumulating funds, further strengthening supervision over taxation work and vigorously increasing income in the new year to accumulate more funds for the four modernizations.

The economy is the base, and only when the economy has developed will it be possible to tap the revenue sources. Therefore, the financial and tax departments in various localities must vigorously urge the enterprises to turn out goods in demand. The development of the production of goods in excessive supply and the enterprises dealing with these goods, such as the dacron cotton fabric mills, the small breweries and small tobacco factories, should be curbed by bringing the role of taxation into play as an economic lever. In promoting the development of production, special attention should be paid to tapping the potentials of enterprises and helping the enterprises improve operation and management and achieve increasingly better economic results.

Thanks to the implementation of various economic policies, trade dealt with in urban and rural fairs has developed very quickly. Some time ago, due to the loose supervision of taxation work in the trade fairs, many dealers were

not licensed and did not submit taxes to the state and there were many loopholes in taxation. The new conditions and new problems concerning the specialized households and groups and the contract teams which have emerged after the institution of the production responsibility system in the rural areas should be thoroughly investigated and industrial and commercial taxes and profit taxes should be imposed on them according to the characteristics of their operation and the regulations regarding industrial and commercial taxation while protecting their legal operation, so as to amass the small amounts of taxes in this aspect.

Premier Zhao Ziyang pointed out in his "Report on the Sixth Five-Year Plan" delivered at the Fifth Session of the Fifth NPC: "No locality or unit has the right to change the taxation laws and decrees promulgated by the state. Unauthorized decisions on tax reduction or exemption must be resolutely rectified, and the amount of tax thus reduced or exempted must be paid." In 1983, the execution of the tax policy must be continuously inspected. The past regulations on tax reduction or exemption must be rectified if they have gone beyond the limits of the rights to supervise taxation work. The amount of tax should return to normal when the period of tax reduction or exemption has expired. The financial and tax departments should consciously and correctly enforce the tax policy and collect all taxes which should be collected, so as to accumulate more funds for socialist modernization.

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NATIONAL POLICY AND ISSUES

'JINGJI RIBAO' ON TAXES, DELIVERY OF PROFITS

HK141303 Beijing JINGJI RIBAO in Chinese 1 Mar 83 p 1

[Editorial: "Substitution of Taxes for Delivery of Profits Is the Orientation"]

[Text] The practice for state-run enterprises to substitute taxes for delivery of profits is a major reform of the economic management system. Substitution taxes for delivery of profits is the orientation in terms of handling the relationship of distribution between the state and the enterprise.

In the 33 years since the founding of the PRC, the financial control system of China's industrial and commercial enterprises has experienced changes many times but judging from the situation as a whole, what has been basically practiced so far is the system of "everybody eating from the situation as a whole, what has been basically practiced so far is the system of "everybody eating from the same big pot," that is, "no matter how many or few products you produce, you must hand the whole amount to the state and no matter how much or little money you spend, you are entitled to be reimbursed for the whole sum you have spent." This method fails to encourage those who are diligent or to penalize those who are lazy, and hinders the development of the productive forces. Since 1979 when the method of profit sharing was introduced, the enterprises have already had a greater portion of power to handle money matters and more financial resources at their disposal. Compared with the system of all profits or losses being handled by the state in a unified way under which "everybody eats from the same big pot," this method has advanced a step further in this respect. But seen from the requirements for instituting a perfect economic responsibility system in the enterprises, it has not fundamentally broken through the system of "everybody eating from the same bit pot." With the introduction of the system of profit sharing, because of a considerable part of the net income of an enterprise being handed over to the state in the form of profits, even though the level of operation and management of the enterprise is on the decline, it still has "profits" to be delivered to the state and at the same time, the retained profits constitute only a marginal proportion, and any increase in the profits of the enterprise plays an insignificant incentive role. Under this system, the proportion of profit sharing of enterprises must be readjusted at regular intervals so as to stabilize the relationship of distribution between the state and the enterprises. So the method of profit sharing plays a limited role in

encouraging the advanced by giving award, brings about insignificant pressure to bear among the enterprises and cannot combine the enterprises' responsibility, authority and benefit in a stable way, but the method of substituting taxes for delivery of profits can quite satisfactorily solve these problems.

At present, the reform of the economic management system is being carried out. The level of profits between different enterprises is still not uniform and vastly different because the rational readjustment of prices cannot be carried out in an overall manner within a short time. Under this situation, in practicing the method of substituting taxes for delivery of profits, we must proceed from actual conditions and take the following two steps: the first step is that we must first levy a certain proportion of income tax on the profits realized by the enterprises and then adopt various forms to rationally distribute the surplus profits after the reduction of the payment of taxes between the state and the enterprises in accordance with the different conditions of the enterprises. The second step is that we must levy progressive tax and local taxes on the basis of the pricing system tending to rationality and again in accordance with the amount of profits yielded by the enterprises. At present, we should start up with the first step so as to accelerate the tempo of substituting taxes for delivery of profits at a quite rapid pace.

Seen from the experiments of various localities, the implementation of the practice of substituting taxes for delivery of profits and of assuming sole responsibility for one's own profit or loss is conducive to the institution of an economic responsibility system designated to perfect the enterprises, helps the enterprises really become relatively independent economic bodies and closely integrates the responsibility, authority and benefits of enterprises. With the implementation of the method of substituting taxes for delivery of profits, as the first step, in addition to the small-sized enterprises replacing delivery of profits with payment of income tax and fees for the use of fixed assets and for contracts to the state, the large and medium-sized enterprises are allowed, for the time being, to simultaneously practice the payment of taxes and delivery of profits to the state. But the proportion of taxes should be significantly increased and that of profits should be substantially reduced and moreover, the existing level of profits retained by the enterprises should remain unchanged. Of this, the part of profits delivered to the state in the form of taxes is taxes paid according to law which cannot be readjusted at will, and should be enforced strictly. This can ensure the state's revenues. The part of surplus profits retained by the enterprises will ensure that the enterprises may receive a larger share of profits when they produce more and greater profits, because under new circumstances, the proportion of the profits retained by the enterprises is much greater than that of the existing profit sharing of enterprises. In this way, the enterprise will be allowed to arrange and use the profits at their disposal in accordance with the requirements of the macroeconomic decisions and market demand and they will thus have both pressure to bear and vitality. All this will help the enterprises give play to their initiative and enthusiasm and revitalize production, supply and marketing. In addition, the implementation of the practice of substituting taxes for delivery of profits can determine the relationship of distribution between the state and the enterprises in a more stable way and also contribute to directly linking up the

economic interests of the staff and workers in the internal departments of enterprises with the quality of the operations of enterprises and promote the enterprises to improve operation and management and to attain better economic results. In brief, the practice of substituting taxes for delivery of profits is conducive to further invigorating the economy and to correctly handling the interests of the state, the enterprises and the individual with the state receiving the largest share, the enterprises retaining a major part and the remaining part going to the individual in distributing surplus revenue.

The practice of substituting taxes for delivery of profits will significantly reduce the multi-headed administrative interference in the enterprises as the result of linking the affiliated relationship of enterprises and the profits handed over to the state on the one hand and the economic interests of the localities and departments on the other hand, and will enable the smooth implementation of the readjustment of the economic structure and economic organization. This is because when the two-step reform of substituting taxes for delivery of profits has been totally completed, the enterprises of various types and at all levels, regardless of the former affiliated relationship, are only required to hand in various taxes, local taxes and fees for contracts and to perform their duties to pay taxes and fees in terms of the relationship of distribution between the enterprises and the state. This will enable the enterprises to free themselves from the shackles of the departments and regions at different levels and promote the socialization and specialization of production and economic combination.

In a situation in which our country has economic difficulties at present, can the practice of substituting taxes for delivery of profits bring about decentralized use of financial resources and affect the key state development projects? In order to avoid the emergence of such a situation, while drawing up plans for substituting taxes for delivery of profits, on the one hand, we must not give the enterprises excessive retained profits and thus interfere with state revenues, and on the other hand, we must not impose overrigid control over the enterprises and thoroughly concentrate whatever funds they have and thus dampen their enthusiasm. Therefore, while drawing up plans for substituting taxes for delivery of profits, we must, first of all, ensure that the state should receive the largest share and in the meantime, the enterprises should retain a major part of the rest in distributing surplus revenue in the course of increasing production and practicing economy, raising the economic results and tapping the potential of the internal departments of the enterprises and bring into full play the enthusiasm of the enterprises for improving their operation and management.

In the course of substituting taxes for delivery of profits, all industrial and commercial enterprises should submit to state plans, observe the price control system, prevent the emergence of the phenomena of deviating from state plans and exerting greater efforts for bigger profits and less efforts for meager profits and of the actions to raise prices in disguised form and thus infringe upon the interests of the consumers. In conjunction with the

responsible departments of enterprises, the financial and tax departments must further rigorously enforce cost control, strengthen inspection and supervision, prevent some enterprises from carrying out the activities to evade taxes and encroach the interests of the state by resorting to foul means and minimizing the figures of the realized profits on account book. Meanwhile, we must offer guidance to the enterprises in managing and using the funds at their disposal, promoting technical transformation, developing production and revitalizing the economy.

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NATIONAL POLICY AND ISSUES

'RENMIN RIBAO' EXPLAINS NEW TAXATION SYSTEM

HK141351 Beijing RENMIN RIBAO in Chinese 7 Mar 83 p 2

["Letterbox": "Answers to Some Questions Concerning 'Substitution of Taxation for Profit-delivery System'"]

[Text] Editor's Note: In the course of implementing the practice of "substituting taxes for delivery of profits" among state-run enterprises, some comrades have raised questions such as "What is 'substitution of taxes for delivery of profits'?" "What is called income tax?" and "What is called regulatory tax?" We have invited the comrades of related departments to answer the questions. Their answers are as follows. [End editor's note]

What Is "Substitution of Taxes for Delivery of Profits?"

The phrase "substitution of taxes for delivery of profits" refers to the replacement of state-run enterprises' delivery of profits to the state with payment of taxes. This is not only a change in the form of payment but also a major reform of the relationship of distribution between the state and the enterprises and between the central authorities and the local authorities at various levels, and the political negation of the system of all profits or losses being handled by the state in a unified way under which "everybody eats from the same big pot." With the introduction of the practice of "distributing taxes for delivery of profits," the relationship of distribution between the state and the enterprises is determined in a legal form. This can ensure a steady increase in state revenues and guarantee the economic interests of the enterprises and at the same time can give better play to the role of taxation--an economic lever.

How Should the "Substitution of Taxes for Delivery of Profits" Be Carried Out?

China's existing pricing system is quite irrational; there is a vast disparity in the level of profits between different trades and between different enterprises; the situation in this respect is considerably complicated; and furthermore, the rational readjustment of prices cannot be carried out in an overall manner within a short time; therefore, the practice of "substituting taxes for delivery of profits" should be carried out in an orderly manner.

In the first step, we must simultaneously practice the payment of taxes and delivery of profits of the state, increase the proportion of taxes and reduce the ratio of profits delivered to the state, that is, replace the profits which the enterprises formerly ought to turn in to the state with the delivery of most profits to the state in the form of taxes and chiefly levy a certain proportion of income tax. The surplus profits after the reduction of payment of taxes should again be distributed between the state and the enterprises. In the light of the level of retained profits of the enterprises which have been carrying out various forms of the management responsibility system, we must recalculate the ratio of profit sharing and may also adopt diverse contract methods for handing over profits to the state or the method of levying regulatory tax.

In the second step, we must practice a unitary tax-levying system and abolish the form of delivery of profits to the state. In a situation in which the reform of the economic system is being carried out intensively and in particular, the pricing system has gradually become rational through readjustment, we will have the possibility of practicing a unitary tax-levying system if we adopt the following two measures. They are 1) to replace proportionate tax with progressive tax in terms of income tax and complement it with other categories of taxes. This will serve as a solution to the question of unfairness in the division and allocation of profits between different trades and between different enterprises; and 2) to change the financial system into a grade financial system under which the revenues of the units at all levels are divided and allocated according to the categories of taxes.

What Is Called Income Tax?

Income tax is a tax on the amount of income (that is, the amount of profits). The principle in this respect is more levies for more income, fewer levies for less income and no levies for no income. In terms of income tax rate, the rate of progressive tax is generally adopted and it is also allowed to adopt the proportionate tax rate.

The present implementation of the practice of "substituting taxes for delivery of profits" among state-run enterprises refers mainly to the replacement of delivery of profits to the state with the collecting of income tax. In the first step of "substituting taxes for delivery of profits," the large and medium-sized enterprises are still allowed to preserve the form of profit sharing and it is therefore planned to adopt the proportionate tax rate (for example, the tax rate is 55 percent). In the second step of "substituting taxes for delivery of profits," with the adoption of practice of the unitary tax-levying system, it is allowed to levy progressive income tax on the enterprises according to the amount of their profits. With regard to small-sized state-run enterprises, income tax should be imposed, as planned, on the part of profits in excess of the progressive tax rate and the enterprises are required to hand over the fees for the use of fixed assets to the state. They are allowed to practice the contract system concerning the surplus profits after the reduction of payment of taxes and fees.

What Is Called Regulatory Tax?

Regulatory tax is a tax which is designated to regulate the discrepancy between the levels of income of enterprises. The irrationality of China's present pricing system and the influence of the objective factors, such as the difference between the external conditions of various enterprises have brought about a vast disparity in the level of profits between different enterprises. Exclusively collecting income tax will not only fail to solve the question of unfairness in the division and allocation of profits between different enterprises but also make it difficult to ensure state revenues. Therefore, while levying income tax on the units which are involved in the experimental work of "substituting taxes for delivery of profits," it is advisable for us to adopt various forms of contract methods for delivering profits to the state or levy a certain amount of income regulatory tax on them.

What Is Called the Progressively Increased Sharing of Profits After the Reduction of the Payment of Taxes Under a Contract System?

The progressively increased sharing of profits after the reduction of the payment of taxes under a contract system is a form of distributing the large and medium enterprises' profits after the reduction of the payment of taxes, in the course of implementing the practice of "substituting taxes for delivery of profits," between the state and the enterprises. The institution of the progressively increased sharing of profits means that after deducting income tax and the rational retained profits of enterprises from the total amount of its base-year profits, a state-run enterprise should take the remaining profits as the base and formulate a ratio which will progressively increase in a circulatory proportion year after year and which should be held unchanged for many years as the base for calculating the amount of profits which the enterprise should hand over to the state after the reduction of the payment of taxes fixed in its annual plan. After an enterprise hands over, as prescribed in its annual plan, income tax and the profits fixed according to the method of the progressively increased sharing of profits to the state, the surplus profits will go to the enterprise for its own disposal.

What Is Called the Proportionate Sharing of the Profits After the Reduction of the Payment of Taxes Under a Contract System?

The proportionate sharing of the profits after the reduction of the payment of taxes under a contract system is another form of distributing the large and medium-sized state-run enterprises' profits after the reduction of payment of taxes, in the course of implementing the practice of "substituting taxes for delivery of profits," between the state and the enterprises. The institution of the proportionate sharing of profits means that after deducting income tax and the rational retained profits of enterprises from the total amount of its base-year profits, an enterprise should determine a ratio of the profits delivered to the state by contrasting the remaining profits with the total amount of profits, a ratio which should be held unchanged for many years, as the base for calculating the amount of profits which the enterprise should hand over to the state after the reduction of the payment of taxes fixed in its annual plan. After an enterprise turns over, as prescribed in its annual

plan, income tax and the profits fixed according to the method of the proportionate sharing of profits, the surplus profits will go to the enterprise for its own disposal.

What Is Called the Fixed-Quota Sharing of the Profits After the Reduction of the Payment of Taxes Under a Contract System?

The fixed-quota sharing of the profits after the reduction of the payment of taxes under a contract system is again another form of distributing the large and medium-sized state-run enterprises; profits after the reduction of the payment of profits, in the course of implementing the practice of "substituting taxes for delivery of profits," between the state and the enterprises. It is only suitable for the enterprises with a fairly stable level of profits. The institution of the fixed-quota sharing of profits means that after deducting income tax and the rational retained profits of enterprises from the total amount of its base-year profits, a state-run enterprise should take the remaining profits as the contracted fixed amount of profits which it should deliver, as prescribed in its annual plan, to the state and which should be held unchanged for many years. After an enterprise hands over, as prescribed in its annual plan, income tax and the profits fixed according to the method of the fixed-quota sharing of profits, the surplus profits will go to the enterprise for its own disposal.

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NATIONAL POLICY AND ISSUES

FINANCE MINISTRY OFFICIAL ON TAX, PROFIT

OWL60520 Beijing XINHUA Domestic Service in Chinese 0118 GMT 10 Mar 83

[Text] Beijing, 10 Mar (XINHUA)—XINHUA reporters today interviewed a responsible person of the Ministry of Finance on the substitution of taxes on state enterprises for profits delivered to the state. The following are his answers to the reporters' questions:

I. What is meant by substituting taxes for profits?

Answer: Currently profits of our state enterprises, except for a portion which enterprises may keep under various arrangements for profit retention or assumption of full responsibility for profits or losses, are largely delivered to the state as profits. By substituting taxes for profits, we mean to have the state enterprises pay taxes according to the categories and rates of taxation determined by the state instead of having them turn over their profits to the state. After paying taxes, all the remaining profits will be at the disposal of the enterprises. Thus distribution between the state and state enterprises will be fixed, step by step, in the form of taxation.

II. Why is it necessary to substitute taxes for delivery of profits?

Answer: In the past few years, in order to break the situation of unified state allocations for state-owned enterprises and unified collection of receipts from them—a situation in which "everybody eats from the same big pot"—and to bring into play the initiative of the enterprises, we have implemented, on a trial basis, various forms of profit retention or assumption of full responsibility for profit and loss. Generally, the results have been good. However, practice has proved that it is not ideal to rely solely on profit retention or assumption of full responsibility for profit and loss in handling the distribution relationship between the state and enterprises, and that it is also difficult for this practice to be continued indefinitely. This is because:

First, under the present profit-retention system, when an enterprise makes a big profit it may retain a bigger share, but when it makes less profit it often requires special consideration to have its profit targets "readjusted." Even when an enterprise incurs a loss it does not have to bear much economic

responsibility. The system cannot completely put an end to the practice of "everybody eating out of the same big pot." At the same time, the base figures and percentages of profits to be retained by enterprises must frequently be readjusted and changed, and it is hardly possible to stabilize the distribution relationship between the state and the enterprises.

Second, because conditions of enterprises differ in thousands of ways, it is difficult to reasonably determine the base figure and percentage of profit to be retained by an enterprise and it is easy to have inequities among enterprises. If base figures and percentages for profit sharing are to remain unchanged over several years, it will be difficult to meet the constantly changing economic situation. For example, readjustment of prices of raw and semifinished materials, readjustment of wages for workers and staff members, changes in the system of administering enterprises, changes in state plans, natural disasters and so forth are all grounds for enterprises requesting readjustment of base figures or percentages of profit sharing. Thus, it is very difficult to basically stabilize the distribution relationship between the enterprises and the state.

Third, under the present situation, with the enterprises providing accumulation funds for the state, mainly in the form of profit delivery, and with both taxation and profit sharing, the profits delivered by the enterprises to the state are rather closely tied to the interests of the localities and departments, and it is likely that administrative intervention will come from many sources, which is not conducive to the state readjusting the structure of enterprises according to economic needs, or to enterprises organizing production according to economic laws and social needs.

By implementing the system of substituting taxes for profits, we can solve the above-mentioned problems in a better way. The reasons are as follows:

1. After paying taxes, all remaining profits will be at the disposal of the enterprises. This will further expand the decision-making power of various enterprises and give them an impetus. On the other hand, the various enterprises will be responsible for their own profit and loss after paying taxes, and their sense of responsibility will be enhanced. With this kind of impetus and sense of responsibility, enterprises will be full of vitality, establish and perfect the economic responsibility system, improve management, develop their potential, in order to increase production and income and thus create more wealth for the state.

2. Paying taxes to the state, according to the prescribed tax rates, will be much more stable than turning profits over to the state. The enterprises will not have to worry about base figures and the percentages of profits they retain. Economic targets will not have to be constantly readjusted. Besides, the state can use the economic lever of tax collection to levy new taxes or adjust tax rates, increase or reduce taxes in the light of the production, supply and marketing situation of various enterprises and trades, based on the policy requirement of macroeconomics. The state can reward or limit the operation of various enterprises with a clear-cut policy. Therefore, substituting taxes for profits is conducive to promoting production, activating the economy and increasing the state's revenue.

3. After implementing the system of substituting taxes for profits, enterprises of all kinds at various levels, regardless of what organization they belong to, must pay central and local taxes. Their financial obligation to the state will be more specific than before. This system will break down barriers between different departments and localities and reduce unnecessary administrative intervention. It will be conducive to readjusting the structure of various enterprises, proceeding from reality and expanding socialist production.

Therefore, the state enterprises' gradual change from turning over profits to the state to paying taxes is in accord with the requirement of the reform of the economic system and is the right direction for reform.

III. What is the principle for the distribution of income between the state and various enterprises after substituting taxes for profit?

Answer: Substituting taxes for profit should be conducive to promoting the establishment and improvement of the economic responsibility system by various enterprises and increasing their economic results. In addition, it should be conducive to correctly handling the interests of the state, enterprises and individual staff members and workers. The state will get the biggest share, enterprises will get a lesser share and individual staff members and workers will get a still smaller share. It is imperative to first ensure the steady growth of state revenue. In the meantime, various enterprises' legitimate retention of profits should be protected, so that they can receive relatively more benefit from their efforts to increase production and income and raise economic results, give full play to their initiative in improving management and create favorable conditions for fundamentally improving the state's financial situation.

IV. Please tell us how we should systematically implement the system of substituting taxes for profits? Why must we act in this way?

Answer: Judging from the present situation, the conditions for implementing the system of substituting taxes for profits for all enterprises are not ripe. This is because the reform of the economic system is still going on and a new situation is emerging. If we systematically change the system, we can better coordinate with the reform of the economic system. Besides, the reform of the present unreasonable pricing system cannot be accomplished within a short time. The level of managerial skill of various enterprises is still quite uneven. The profits among various enterprises is still quite uneven. The profits among various enterprises, trade and localities also vary significantly. We will encounter great difficulties if we implement the system of substituting taxes for profits right away.

By systematically implementing the system of substituting taxes for profits, we mean that it should be implemented in two phases. In the first phase, we will continue to ask large and medium size state enterprises to turn in a certain amount of profit and levy taxes. However, the ratio of tax will be increased significantly while the ratio of profits to be turned over to the state by various large and medium size enterprises will be reduced significantly. As to small state enterprises, we may immediately implement the

system of substituting taxes for profits in a thorough manner. In the second phase, the large and medium size state enterprises will pay taxes only to the state instead of turning over some of their profits when the reform of the economic system for large and medium state enterprises is basically completed, the prices have become reasonable after readjustment and the managerial skill of various large and medium size state enterprises has been gradually upgraded.

V. What is the initial scope of application of the system of substituting taxes for profits and what are the initial methods for implementing this system?

Answer: The Finance Ministry has drafted a plan containing the initial methods for implementing the system of substituting taxes for profit. The State Council has approved and circulated this plan among all departments and localities to solicit opinion. Further revisions will be made to the plan before it is submitted to the State Council again for approval to be circulated and implemented on a trial basis.

VI. After paying income tax, some enterprises have surplus profits, which slightly differ from the profit-retention level fixed by the state. In this case, are they still required to deliver profits to the state or can they enjoy tax breaks?

Answer: Enterprises with after-tax profits, which are slightly higher than the state-fixed profit-retention level, may not have to deliver profits to the state after paying income tax. The state will not reduce or refund taxes in the case of enterprises whose after-tax profits are slightly lower than the state-fixed profit-retention level by a fairly wide margin, may enjoy appropriate income tax breaks, within a time limit, after the financial departments have examined and approved the matter.

VII. What about deficit-ridden enterprises?

Answer: We must analyze the losses incurred by the deficit-ridden enterprises and handle the cases differently. Enterprises incurring loss production, purchasing and marketing activities dictated by state policy, may continue to enjoy fixed-amount or planned subsidies for their deficits. Subsidies will not be granted if the deficits exceed a fixed limit. Deficits falling within the limit will be shared between the state and the enterprise. These methods should remain unchanged for 3 years after being fixed. In the case of an enterprise incurring loss because of mismanagement, the supervisory department should instruct the enterprise to undergo consolidation within a time limit, during which subsidies for the loss will be granted after the economic and financial departments have examined and approved the matter. The state will not make up for the loss if the consolidation takes much longer.

VIII. What is the relationship between the system of substituting taxes for profit and the various forms of contract systems currently in operation?

Answer: Contract systems in operation are a form of economic responsibility system implemented by the enterprises.

The system of substituting taxes for profit is related to, as well as different from, the contract system in enterprise operation. Substitution of taxes for profit refers primarily to the change in the form of payments enterprises make to the state. The obligation of making payments remains unchanged. The contract system in operation consists of two aspects: 1) The enterprise is under contract to the state; 2) the different sectors within the enterprise sign contracts with one another. In the former case, the enterprise contracts for the profits after paying all the taxes according to regulation. In the latter case, the economic responsibility system instituted within the enterprise covers more items because not only profit quotas, but also other economic targets will be contracted out. Therefore, we say that the implementation of the contract system in state enterprises does not affect the payment relationship between the enterprise and the state, nor does the adoption of the system of substituting taxes for profits affect the economic responsibility system within the enterprise. After the specific measures, substituting taxes for profit, are officially approved and transmitted to lower levels, all enterprises practicing contract systems, with the exception of a few which have the approval to adopt other measures of shared responsibility, should, in principle, first pay all the required taxes, in accordance with the relevant tax laws designated by the state. Small enterprises should also pay fees for the use of fixed state funds. After that, profit and other economic targets of the enterprise will be contracted for. Tax payment should never be contracted for.

IX. Why can't we sign a contract for taxes?

Answer: This is because the signing of a contract for taxes is in fact the same as signing a contract for turning in profits. In other words, it defeats the purpose of taxation and is a negation of the system of substituting taxes for profit.

We all know that the tax law is formulated by the state and is strongly influenced by state policy. The amount of taxes to be collected and the levy or exemption of taxes are directly linked with the interests of the state, the enterprises and the individual. If we sign a contract for taxes, we would not be able to maintain and implement the state's tax policy.

The levying of taxes can regulate the production and consumption of goods, the profits of various enterprises and the income of all kinds of economic activity. One of the main purposes of substituting taxes for profits is to develop the lever role in the national economy. If we sign contracts with enterprises for a fixed amount of taxes, the enterprises would just pay a lump sum of taxes to the state. The role of the economic lever to adjust the economy would be seriously weakened. Besides, by using the method of levying taxes, the state can encourage or limit the production of different kinds of goods and the operation of different enterprises. It will encourage the enterprises to strengthen economic accounting, improve management, reduce costs and increase economic results.

If the state signs contracts with enterprises for a fixed amount of taxes, the amount of taxes would be mixed up with profits in accounting and the managerial level of various enterprises could not be clearly distinguished. This is unfavorable to the implementation of the state policy of readjusting and reorganizing various enterprises.

X. Will the implementation of the system of substituting taxes for profits decentralize the state's financial power?

Answer: This is a question which merits attention. In the course of implementing the system of substituting taxes for profit, we should pay attention to the following work:

First, it is necessary to be careful and reasonable in making decision on the types and rates of taxes. We must protect the legitimate retention of profits of various enterprises and enable them to receive more benefit from their increase in production and income and their efforts to raise economic results. However, the state is to get the biggest share of the benefits, enterprises will get a lesser share and individual staff members and workers will get a still smaller share.

Second, after the implementation of the system of substituting taxes for profits, the financial and tax departments will assume a heavier task. They should keep up with the new situation in levying and administering taxes and various enterprises. At present, laws on production costs and accounting are being formulated, and their early promulgation is desired.

Third, as to the employment of various enterprises' own funds, we should provide them with positive guidance and encourage them to carry out technical innovations, develop production and activate the economy.

XI. In implementing the system of substituting taxes for profits, what requirements should we set for the various enterprises?

Answer: Substituting taxes for profits is a change from turning the enterprises' profits to the state to paying taxes to the state. It has nothing to do with the market prices of commodities. All enterprises, especially commercial enterprises and supply and marketing cooperatives, should firmly keep to socialist orientation in their operations and serve the people in a still better way.

They must not change prices in order to gain more profit or raise prices in a disguised manner to put a burden on the masses. At present, particular attention should be paid to certain products, which have floating prices, and those products of which the prices are determined through negotiation between producers and buyers.

The implementation of the system of substituting taxes for profit is to protect the legitimate retention of profits by various enterprises, and this will further expand the power of decision-making of various enterprises. After the implementation of the system, various enterprises should work hard to establish and improve the economic responsibility system and obtain more

profit through increased production and income and through raising economic results. They must not use illegal methods to encroach upon the state income and infringe on the state interest.

Following their expansion of financial power and the increase of their own funds, various enterprises should look forward and backward to make overall plans, under the guidance of the state plan to activate the economy. They should manage well, and effectively use, their own funds, make efforts to increase economic results, guard against loss and waste and integrate their immediate interests with the long-range interest.

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NATIONAL POLICY AND ISSUES

'RENMIN RIBAO' ON IMPORTANCE OF STATISTICAL WORK

HK170342 Beijing RENMIN RIBAO in Chinese 11 Mar 83 p 5

[Article by Jiao Tianli [3542 1131 4539]: "We Must Attach Major Importance To and Strengthen Statistical Work"]

[Text] To do a good job in economic administration and to normalize social economic activity, it is first necessary to correctly understand and grasp quantitative relations in economic activities, both in the national economy and in an economic unit. This calls for sound statistical work. Statistics constitutes "one of the most powerful weapons which helps us to understand society." To attach importance to and to strengthen statistical work is the important premise for us to do a good job in socialist planned economy. Practice shows that we do not know how to work out a plan if we lack correct data. A plan might be mapped out but it is bound to be unrealistic and mistakes might even be committed in a plan or policy. In the past, our national economic construction suffered heavy losses mainly because we failed to act according to economic objective laws, under the guidance of the "leftist" ideology. We scarcely possessed scientific proof in our practical work because our plan was not based on correct statistical data. Some localities and departments even acted according to their own experiences or imagination. Consequently, this contributed to blind development and proportional dislocation in the national economy, causing great waste to the entire society. The lesson is extremely painful.

In recent years, statistical work has been strengthened and planning administration has been improved in our national economic construction. However, people have not yet attached major importance to statistical work, which plays an important role in the national economic development. A complete system and procedure has not been set up from top to bottom in statistical work, and this work fails to meet the need of socialist modernization. A serious problem is that in various economic grassroots units, statistical work is regarded as not essential and even as an extra burden. This view is absolutely wrong. A grassroots economic unit should seriously and carefully fulfill the task of statistical study assigned by the higher authorities on the basis of seeking truth from facts. It is wrong to do this perfunctorily and it is vile to practice fraud. The task of statistical study assigned by the higher authorities is very useful for a grassroots economic unit that has completed the work. It will, on the one hand, vigorously promote the statistical work and even the whole of management in the grassroots unit and, on the other

hand, the higher authorities will provide grassroots units with correct and all-round economic information in good time on the basis of summing up the statistical data of the grassroots units. This is information feedback. To strengthen statistical work, we must first grasp grassroots units. Grassroots economic units should actively train statistical personnel and establish and improve the organization and system of statistical work. In particular, they should file a full set of original records and ensure that digital computers and instruments are complete and effective. Statistical departments of the higher authorities are responsible for guiding grassroots units in their statistical work and training statistical personnel for them. At the same time, they should provide grassroots units with more economic and market information in good time.

At present, the strength of our statistical work is weak and its technology is backward. To change this situation, we should adopt advanced statistical instruments and technology and gradually set up a modernized statistical network so that statistical work will stand in the forefront of the socialist modernization. However, it is impossible to immediately change the backwardness in statistical work, because our state is facing financial difficulties. Therefore, it is very important to strive to improve statistical work, and to raise economic results in this aspect, so as to obtain prompt, accurate and systematic information which can meet the need of the parties concerned by using less manpower and material and financial resources; and to bring the role of the statistical work into full play in giving advice, supervision and service through analysis and study. In the present statistical work, some indices are frequently duplicated or not reported because the given statistics lack a common input base, their concept and content are not standardized and work responsibility is not clearly defined. This affects the development of our planned economy. In view of the above-mentioned facts, we should grasp some key problems and strive to do a good job in statistical work.

1. We should improve the statistical organs. We should gradually establish a unified and sensitive system of statistical networks in line with the work reform in government organs. The specialized statistical units should promptly supply all kinds of statistical data for the economic administration departments and, gradually, for the units concerned in the whole of society.

2. We should work out a strict system for statistical work, determine responsibility and work requirements in statistical organizations at all levels, strive to raise an accurate level of statistical data and keep errors to a minimum. We should not duplicate or fail to report important statistical indices, and check the figures if necessary. Regarding complex statistical indices, some sample surveys should be undertaken on the premise of a certain number of selected examples. A smaller number of examples will lack representative character and hardly reflect the whole aspect of the economic work.

3. We should pay attention to selection and a system for statistical indices and increase our ability in statistical analysis. We should have a

clear aim in statistical surveys. We should conduct investigation in the original statistical indices and system, make accurate statistical reports and attach importance to sampling surveys and carrying out investigations of selected typical examples. To speed up the process of the economic system reform, it is necessary to further add some new indices and systems which help to reflect the outcome of various economic reforms and their experimentation. We should make a thorough, careful and all-round investigation in some important index systems. We may simplify some less important indices and even give them up temporarily. We should make a choice among them because our statistical capacity is limited.

Statistics is a very important basic work. It has a great significance for working out principles and the policy of the party and the state, doing a good job in planning, and other foundation work such as economic accounting and management of fixed quotas. Statistical work should stand in the forefront of all foundation work.

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NATIONAL POLICY AND ISSUES

'JINGJI RIBAO' STRESSES FULFILLMENT OF BUDGETS

HK161212 Beijing JINGJI RIBAO in Chinese 8 Mar 83 p 2

["Economic Work Review" column by Yuan Xizan [5913 6932 3895] and Du Jian [2629 0313]: "Continuously Perfect the Method of Ensuring Fulfillment of Budgets in Units"]

[Text] Since 1980, the cultural, educational, scientific and public health institutions and administrative organs throughout the country have carried out on a trial basis the method of ensuring fulfillment of budgets regarding their funds. Practice shows that this method is an effective measure for administering the financial affairs of these institutions and organs.

For a long time in the past, while implementing their annual budgets, the cultural, educational, scientific and public health institutions and administrative organs asked for additional funds from the state when their budgets were tight, and submitted the surplus funds to the state following the year-end settlement of accounts. However, because the budgets were rigidly controlled and were not closely linked with the responsibilities, rights and profits of these units, some of the units which had surplus funds for the current year spent money lavishly at year's end, resulting in waste of money and overstocking of materials.

After the 3d Plenary Session of the 11th CPC Central Committee, the state experimentally adopted the method of ensuring fulfillment of budgets regarding the funds for cultural, educational, scientific and public health institutions and administrative organs so as to carry out the policy of readjusting, restructuring, reorganization and upgrading, to give various departments and units appropriately greater administrative power and to urge them to increase income and reduce expenses. Accordingly, a basic budget was fixed based on past expenditures. A unit which had surplus funds following the year-end settlement of accounts could retain these surplus funds for its own use. It would not be given additional funds if it had overspent. Following the year-end settlement of accounts, it would be awarded for fulfillment of the plan of savings expenses and increasing income.

This method has produced fairly good results after it was put into practice more than 2 years ago. First, a unit has been given greater power in handling financial affairs and assigned greater responsibilities, thus arousing

the enthusiasm of its leaders in handling financial affairs and strengthening its leadership over financial work. Second, the problem of lavish spending of money by various units at year's end--a problem which remained unsettled over the past few years despite repeated injunctions--has been basically solved. In the past 2 years, many units had surplus funds at year's end despite their expansion in size and the increase of expenses. At the same time, the various units and their staff and workers have become more enthusiastic in increasing income, saving expenses, tapping potentials, blocking loopholes, expanding their scope of service, improving their quality of service, rationally tapping sources of income and controlling spending, making careful calculations and strict budgeting and strictly practicing economy. This has brought about an improvement in the work style of various organs and promoted the tradition of running an enterprise through arduous struggle, hard work and plain living.

Being a new item of work selected for experimentation not long ago, the method of ensuring fulfillment of budgets still has some defects which need to be improved through continuous study. For this reason, the questions concerning the work of fulfilling the budgets should be analyzed concretely.

Some people say that with the method of ensuring fulfillment of budgets adopted by various units, meetings have been cancelled, outside duties have been reduced and the number of long-distance telephone calls is limited, hindering day-to-day work. In the past 2 years, many areas and departments cancelled unnecessary meetings, shortened the time for meetings and reduced the number of people attending meetings and the working personnel. They firmly adhered to the rules governing expenses for meetings, strictly controlled the number of study and inspection tours and prohibited the practice of making pleasure excursions at public expense under the pretext of going to attend meetings in other places or performing outside duties. This conforms to the spirit of running an enterprise through arduous struggle, hard work and plain living. Such a fine style should be upheld and carried forward. However, some departments and units confine their scope of vision to cutting expenses and, without considering the needs, simply cancel meetings, outside duty trips and long-distance telephone calls which are necessary. They even shift to other or subordinate units the expenses which they should pay. This is incompatible with the spirit of the method of ensuring fulfillment of budgets and should be rectified.

Some people say that after the method of ensuring fulfillment of budgets has been adopted, some departments and units charge fees under all sorts of pretexts. As a matter of fact, following the adoption of this method, some departments and units have exerted themselves to tap their potential manpower, material and financial resources, expand their scope of service, increase the number of service items, improve the quality of service and, in line with state policy and with the approval by the higher level, increase their income, which they use to expand their scale of business. This is a good thing, beneficial to the state and the people, and gives an impetus to the elimination of the practice of everyone eating from the same big pot. Violating state regulations, some units expand the scope of collecting fees and raise fees without authorization and blindly pursue greater economic income. This practice is incorrect and should be rectified.

In short, adopting the method of ensuring fulfillment of budgets of various units is a part of the reform of the state financial system and a measure of reform concerning the responsibilities, rights and profits of these units. This measure strengthens, but cannot replace, financial management. For this reason, financial departments should go deep into the basic level to make investigations, see the new conditions and sum up new experiences. Proceeding from realities, they should help the cultural, educational, scientific and public health institutions and administrative organs in fixing the number of staff members and the production quota, improving their financial management system, setting up and improving the responsibility systems of various forms and devising a good method for inspecting the fulfillment of their budgets so that they can carry out financial work with better results and make new achievements in creating a new situation.

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ECONOMIC PLANNING

HEILONGJIANG ECONOMIC COMMISSION ON CONTRACT SYSTEM

SK031051 Harbin HEILONGJIANG RIBAO in Chinese 11 Feb 83 p 1

[Text] The provincial CPC Committee and government have formulated a resolution, urging all county- and collectively-run enterprises across the province to immediately implement economic responsibility systems centering on contracts.

On 9 February, the provincial Economic Commission held a telephone conference to relay the resolution. The conference spread the experience of Bin County, the Harbin City Xinguang industrial art plant and Bin County motor repair shop in carrying out the contract system of economic responsibility.

The provincial Economic Commission set forth specific measures and resolute principles of this point.

The provincial Economic Commission put forward: Each enterprise should select a type of contract system in line with its reality. County-run state enterprises may adopt the administrative and management system of collectively-run enterprises and enact an independent administrative system under which they should pay taxes to the state and pay money for the use of funds. All localities and departments should transfer the right of cadres, personnel, labour, plan, material resources and distribution to enterprises.

Enterprises not guided by the state plan may fix production and management quotas by themselves, have discretionary power to sell products, purchase material resources and collect funds and assume sole responsibility for its own profits and losses.

Enterprises may be managed by the collective and the individual under contracts and leases. Enterprises that are managed by the collective and the individual under contracts and leases may retain the surplus production on the condition that they pay profits taxes to the state in line with the state regulation.

Enterprises may reserve sufficient funds for developing production and use the rest for collective welfare and bonus funds. The distribution of income may enact a floating wage system but never set a ceiling on individual income. Enterprises may select and appoint people according to their political

integrity and ability and have discretionary power to advertise for skilled persons. Collectively-run enterprises should transform the practice of sharing the responsibilities for their own profits or losses with the collective into a practice of assuming sole responsibility for their profits and losses, be divided into small accounting units and carry out various types of contract systems.

Enterprises managed by the collective and the individual under contracts and leases should enact a method of paying taxes to the state, paying money for the use of funds, independent administration and assuming sole responsibility for their own profits or losses. A method of democratic election among staff members and workers should be implemented instead of the life-long tenure system of administrative cadres. Administrative cadres should generally engage in production.

Having paid taxes according to law, enterprises may reserve sufficient public employment funds and public welfare funds and directly distribute the remaining funds to staff members and workers. Well-managed enterprises may not restrict the income of staff members and workers and money losing enterprises are allowed to not pay wages to staff members and workers.

The provincial economic commission called on all plants and enterprises to mobilize the masses to hold discussions in order to eliminate the influence of leftist ideology, smash the trammels of outdated conventions and old workstyle and play their role as a promoter of progress.

We should center the reform on proceeding from reality. Four principles should be adhered to in conducting the reform: 1) We should correctly handle the relations between the interests of the state, the collective and the individual. 2) Efforts should be made to eliminate the egalitarian practice of "eating from the big public pot" and "iron rice bowl" and reward the industrious while penalizing the lazy. Enterprises should not practice egalitarianism for benefit distribution or set a ceiling on individual income. 3) We should carry out various types of economic responsibility systems. The responsibility system must center on contracts. On the basis of contracts, efforts should be made to link duty, right and interests so as to have a correct duty and direct interests. 4) Firm efforts should be made to make enterprises, responsible departments and economic departments conduct reforms simultaneously so as to make the reform dovetail at all levels.

CSO: 4006/364

ECONOMIC PLANNING

NEI MONGGOL: REGULATIONS ON INDIVIDUAL ECONOMIES

SK050236 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 3 Mar 83

[Text] The autonomous regional CPC committee and people's government recently promulgated provisional regulations concerning some problems in the development of urban collective and individual economies.

The regulations point out: While upholding the dominant position of the state-owned sector of the economy, it is of great significance for promoting economic prosperity in both urban and rural areas and offering better services for the people's livelihood to actively develop the urban collective economy and the individual economy undertaken by workers as an indispensable, valuable supplement to the state economy. Meanwhile, this is a new avenue for solving the employment problem in cities and towns and reforming economic work and the labor system of urban areas. All localities and departments should earnestly implement the CPC Central Committee's strategic policy decision, which calls for coexistence of diverse sectors of the economy, further eradicating the influence of leftist ideology, relaxing policy restraints, reforming irrational regulations and the systems and enthusiastically supporting and helping the collective and individual sectors of the economy in urban areas to develop.

The primary contents of the regulations are as follows:

1. All collective enterprises and individual businesses that are approved by industrial and commercial administrative departments may engage in handicrafts, industry, construction, transport, commerce, catering and services of all kinds. They may also run schools or other legitimate cultural and sports activities. It is necessary to encourage all urban collective enterprises and individual businesses that have the necessary facilities to plant trees, develop grasslands and man-made pastures, to rough-process forestry and livestock products and to develop the beverage industry. They may also, within the framework of state planning and the limits permitted by law, organize youths awaiting work to exploit mines. Wages for retired staff members and workers who want to set up shop or seek employment by themselves are set according to the relevant regulations of the state.
2. Governments at all levels must allot space for collective and individual businesses to set up shops on the basis of overall planning and rational arrangements. The relevant departments should supply active help and services to them.

3. Commercial, supply and marketing, grain and supply departments at all levels should actively help urban collective enterprises and individual businesses secure raw and semi-finished materials and supplies of goods. The prices for [word indistinct], grain, oil and sugar supplied to the catering and food processing trades should be equivalent to the prices charged to state-owned enterprises. Goods carrying a negotiable price tag may be sold and purchased at a negotiated price.
4. Staff members and workers of collectively-owned enterprises and self-employed individuals have the same political rights and social status as those employed by state-owned enterprises.
5. Capital of urban collectively-owned enterprises and individual businesses should be primarily raised by themselves individually or collectively. Official and mass organizations and enterprises should render active support. Banks should grant loans to help them open business.
6. State-owned enterprises should help collectively-owned enterprises technically, especially those enterprises with which they have business ties.
7. Within the limits permitted by state law and policy, urban collective enterprises and individual businesses assume full decision-making power and management rights. All matters of collectively-owned enterprises--from the election of leaders to the management of personnel, finances and materials as well as matters regarding production, supply and marketing--are decided by workers through a democratic process in accordance with the principle of voluntary participation, assuming full responsibility for one's own profits and losses, to each according to his work, and democratic management. The distribution system must also be decided on by the workers in a democratic way. There should be no ceiling or floor for individual wages. Dividends may be issued to shareholders at a set proportion.
8. Urban collective economy and individual businesses must resolutely stick to the unified prices set by the state for commodities in the first and second categories which are covered by the state plan. The prices of other products may be allowed to fluctuate in line with market conditions and be sold and purchased at negotiated prices.
9. Collectively-owned enterprises who distribute over 60 percent of their payroll to youths awaiting work who are employed by them during the year, shall be exempted from income tax for 3 years, as is stipulated by state regulations. With the exception of income from the production of manufactured goods and commercial operations, all other income of these enterprises are exempt from industrial and commercial tax for 3 years. Urban youths awaiting work who utilize idle land to run farms, forests and livestock farms or engage in poultry and fish farming or crop cultivation are exempt from income tax and industrial and commercial tax for 5 years. After the tax holiday, they may apply to tax departments for tax exemption or reduction if their monthly income is still less than 30 yuan per capita at that time. Beginning in 1983, licensed individual businesses with a monthly business income of less than 200 yuan, a monthly profit of less than 80 yuan and a monthly commission as a purchase or sale agent of less than 40 yuan are exempt from income tax.

10. Labor service companies should not only constantly supply skilled workers to industrial and mining enterprises but also offer services to society as a whole. In the future, all enterprises, regardless of whether they are owned by the state or a collective, must recruit workers through the offices of labor service companies and commission them to train workers for them. The method of voluntary application, unified evaluation and selection on merit should be adopted in recruiting workers.

11. It is necessary to encourage urban educated youths to the countryside to spread cultural, scientific and technological knowledge, to run commercial businesses, to engage in poultry and fish farming and to run repair service shops. While they are residing and working in the countryside, they may continue to keep their urban residence registration and enjoy all the political and economic benefits accorded urban residents. Their supply of grain and cotton cloth will remain the same.

The provisional regulations concerning some problems with regard to the development of urban collective and individual economies also call on party committee of the various cities and townships to exercise effective leadership and relevant departments to cooperate closely with one another to execute this work well.

CSO: 4006/364

ECONOMIC PLANNING

'SICHUAN RIBAO': 10 SUGGESTIONS ON REFORMING MACHINERY INDUSTRY

HK150721 Chengdu SICHUAN RIBAO in Chinese 4 Mar 83 p 1

[Report by Chen Xi [7115 6007], Jiang Chengtong [3068 2052 6639] and Chen Ruping [7115 3067 1627]: "Ten Suggestions for Experiments in the Reform of Provincial Machinery Departments"]

[Text] In order to give better play to the role of the machinery department of our province's machine building industry, serve the other sectors of the national economy and promote the four modernizations, recently, the provincial machinery department has obtained approval from the upper levels for putting forward the 10 suggestions on reform, and are carrying out experiments of them.

The 10 suggestions of reform are as follows:

1. We should select Sichuan general instruments factory as the site for carrying out the experiment of assigning all-round responsibility for a fixed annual rate of increase in profit delivery. The method is to fix a starting quota of profit delivery and an annual rate of increase in that quota and fix this rate for 5 years. The enterprise can retain the part of profits in excess of the quota, which will be the only source for funding technical renovation in the enterprise, the welfare of the work force, and awards and bonuses. Certain fixed rates should be decided on for using the retained profits for the above-mentioned purposes.
2. The experiments of substituting taxes for profit delivery and assuming sole responsibility for profit and loss should be developed in all the medium-sized and bigger enterprises, we can carry out the experiment of the implementation of the system of assigning all-round responsibility for management to the collectives or individuals.
3. In the enterprises earning a small profit margin and included in the list of major projects of technical renovation in the provincial plan, we should adopt the method of allocating a special percentage of profits to them, fixing through investigation a basic amount of profit delivery, and ordering the enterprises to use their retained profit mainly in their technical renovation.

4. We should fix a deadline for the enterprises that have suffered losses owing to poor management to put an end to losses and begin to earn profits. Those that succeed in putting an end to losses and earning profits ahead of schedule will be cited and awarded. As for the enterprises that fail to put an end to losses and begin to earn profits according to the schedule, the major leading cadres there should resign of their own accord or be dismissed by the departments responsible for these enterprises. These cadres should not be transferred to posts of the same level. We should resolutely close, suspend, merge and transfer those enterprises in which we cannot put an end to losses in 2 or 3 years because they are irrationally located.

5. We should continue to carry out the experiments of reforming our wage systems and expand the scope of these experiments.

6. Under the prerequisite of controlling the total amount of wages with prescribed limits, in enterprises that have been checked and accepted by the state as having satisfactorily completed enterprise consolidation, we can pay a subsidy to those who do the job of heated process and promote by one grade those who do heavy manual labor. We can also hold examinations for new workers 1 year after their recruitment and end their probation period and fix their grades ahead of the schedule for those who pass the examinations satisfactorily. Moreover, we can promote to a grade higher than usual a small number of those who do extremely well in the examination.

7. Subject to the approval of the relevant provincial departments, some enterprises can make experiments of the implementation of the floating wage system.

8. After the implementation of the measure of fixing personnel quotas in organizing production, we should adopt the following methods in handling redundant workers: 1) We should organize them to attend training courses; 2) We should recruit them into labor service companies or in the collective enterprises run by factories (these workers will retain their positions and welfare as staff and workers of state-owned enterprises); 3) Subject to approval, those who make preparations for matriculation examinations can get long-term unpaid leave and retain their posts; 4) Subject to the approval of the leadership, those who are in poor health and cannot attend normal daily work can get long-term sick-leave and get 65 to 75 percent of their basic wages; and 5) Those who apply for returning to their homeland to be engaged in farming will be given a settlement subsidy after they obtain the approval.

9. We should adopt necessary policies and measures to raise the scientific and technological level in our enterprises. We should allow our enterprises to assign all-round responsibility for the tackling of major technical projects and important designing and research tasks to collectives or individuals. We should allow enterprises to charge compensation for technical service that they provide for other enterprises and allow factories to carry out three-combination of technical cooperation and transfer results to technical research for payment.

10. We should conscientiously promote the reorganization and combination of enterprises.

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ECONOMIC PLANNING

HUNAN: INDUSTRY-WIDE CONTRACT SYSTEM INTRODUCED

HK070944 Changsha Hunan Provincial Service in Mandarin 1100 GMT 6 Mar 83

[Text] Since the end of February, with the approval of the provincial people's government, the provincial finance bureau has applied an industry-wide economic contract system to the provincial light industrial bureau. Light industrial systems throughout the province will surrender 24 million yuan in profits this year. At present, the provincial light industrial bureau has signed contracts with the porcelain and glass industrial company and the papermaking industrial company under it. These two companies have again included their profit targets in their contracts with 16 enterprises directly under them. The signed contracts specify that the profits realized in excess of given targets by the companies and the enterprises under them shall be distributed on a 40-60 percent basis--the bureau to receive 60 percent, and the companies and the factories under them 40 percent. In light of the different versions of the contract responsibility system involving the 16 enterprises under the companies, the method of contracting for profits and sharing in profits exceeding given quotas is applied to those enterprises with small profits. For those money-losing enterprises, the practice of contracting for losses, sharing in both profits and losses and receiving no compensation where both sides suffer losses is followed.

CS0: 4006/364

ECONOMIC PLANNING

LIAONING: PROVINCIAL ECONOMIC FEDERATION ESTABLISHED

SK080432 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 7 Mar 83

[Excerpt] An economic coordinating organization--the provincial industrial and commercial economic federation--that was established nearly 2 years ago in our province has provided successful experience for reforming the circulation system. The Liaoning Provincial Industrial and Commercial Economic Federation is called the Provincial Economic Federation for short. It is an economic coordinating organization that was organized by 12 large city and prefectural department stores and 15 consumer goods units across the province and was established in June 1981. With the changes in the proportion of light and heavy industries, a buyer-dominated market had initially taken shape at that time. Many consumer goods for daily use were regulated by the market instead of mainly through planning. This had forced plants to gear themselves to the needs of markets and to study ways to boost marketing. Some large and medium-sized commercial units that then mainly relied on wholesale departments to replenish their stock could not satisfy the changing market needs. They needed to enlarge production channels, increase product varieties and ensure the supply of goods. While the industrial and commercial units were urgently studying ways to solve the new problems arising in the new period, the Provincial Economic Federation came into being with the support of the pertinent departments of the provincial government. The establishment of the provincial economic federation has enabled both the industrial and commercial units to gear themselves to market needs after the formation of the buyer-dominated market, to work with concerted efforts and with one heart and one mind, to speed up commodity circulations, to promote production and to enliven the market.

Members of the Provincial Economic Federation may carry out economic activities in line with the principle of voluntarism, equality, mutual benefit and mutual aid. The responsibilities of both the industrial and commercial units are: Under the precondition of strictly enforcing state plans, industrial units that are members of the federation may supply to member commercial units on a priority basis the above-quota products, newly designed products and all marketable products that are regulated by the market. Commercial units that are members of the federation may set up special counters to display and publicize these products in an effort to create a good impression. Furthermore, they must try every means to expand the sales of

stockpiled goods. And in line with the principle of mutual benefits, the industrial and commercial units may determine the prices of commodities through consultation and discussions.

The economic federation displayed its great superiority soon after its establishment, playing a noticeable part in the commercial sphere.

During a period of nearly 2 years, the recorded business volume of the Liaoning Provincial Industrial and Commercial Economic Federation totalled 37 million yuan. These products were all consumer goods for daily use that were regulated by the market.

CSO: 4006/364

ECONOMIC PLANNING

HEILONGJIANG: REFORMS IN SECOND LIGHT INDUSTRIAL ENTERPRISES

SK171301 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 16 Mar 83

[Text] The second light industrial enterprises throughout the province have carried out reforms in a planned, well-guided and step-by-step manner and have scored initial success. At present, the province's 722 second light industrial enterprises that practiced the system of common responsibilities for profits and losses before, have all adopted the system of assuming full responsibilities for their own profits and losses, and about 80 percent of the enterprises have instituted all forms of economic responsibility systems including the floating wage system, the piece-rate wage system, the system of giving bonuses for extra products and the management contracting system. Since 1979, in line with the characteristics of collective ownership, the second light industrial enterprises across the province have carried out all kinds of reforms. The first step is to turn all enterprises that assumed common responsibilities for profits and losses into enterprises that practice the system of assuming full responsibilities for their own profits and losses, thus expanding the decisionmaking power of enterprises. The profits retained after paying taxes to the state increased from 10 percent during the period of practicing the system of common responsibilities for profits and losses to 70 percent.

The second step is to divide enterprises in line with product mix and to shift accounting units to a lower level. In 1981, some 50 fair-sized, inefficiently-managed and money-losing second light industrial enterprises in the province had been divided into two or three units and succeeded in making profits after separation. Since last year, some second light industrial enterprises have instituted collective or individual contracting economic responsibility systems in their subordinate workshops, work groups and shifts. According to recent statistics released by 112 second light industrial enterprises in Qiqihar, Jiamusi, Jixi and Daqing cities and Mudanjiang, Songhuajiang and Heihe prefectures, about 59.4 percent of the enterprises have implemented or are ready to implement the contract system. Second light industrial enterprises in Jixi and Daqing cities have all implemented the management contracting system. This year, before instituting the contracting system, Qiqihar City's subordinate 82 second light industrial enterprises have only attained a profit quota of 1.7 million yuan due to operating under capacity. After instituting the contracting system, 61 enterprises

will earn 3.9 million yuan in profits, attaining the planned target set by the province. Last year, 11 enterprises under the Bin County second light industrial departments suffered deficits. This year, they have implemented the floating wage system and halted deficits in January. Thanks to a rapid pace in reforming the province's second light industrial enterprises, the industrial output value in the first two months of this year increased by 18 percent compared with the same period last year.

CSO: 4006/364

INDUSTRY

COUNTRY TO EXPAND ANIMAL FEED PROCESSING INDUSTRY

OW110422 Beijing XINHUA in English 1551 GMT 11 Mar 83

[Text] Beijing, 11 Mar (XINHUA)—Fifteen feed processing plants with annual production capacities ranging from 5,000 tons to 20,000 tons are scheduled to be built this year in Beijing, according to the municipal feed company.

A new concentrated feed plant with an annual capacity of 10,000 tons will also be built this year. When all are completed, this city's compound feed production capacity will be 390,000 tons annually, up from the present 260,000 tons. This will meet about half the needs of the city's poultry and animal farms.

Construction of the new plants is a part of the nationwide effort to speed the growth of the feed processing industry, which has not kept pace with the fast developing animal husbandry in both the collective and individual agricultural sectors.

Plans are under way to upgrade China's feedstuff industry in the next few years and make it an important sector of the national economy, complete with feed processing, machinery and other equipment for the plants, resource development and feed additives.

China now has 2,600 feed processing factories, with a combined production capacity of 4.2 million tons, falling far short of demand. In 1981, processed feed accounted for only 2.2 percent of the total volume of feed consumed.

The concentrated feed available annually in the whole country is estimated at about 75 million tons, including 35 million tons of fodder grains, 25 million tons of bran, 10 million tons of oil meals and dregs and 2 million tons of other bits and pieces from animal by-products that can be used as protein feed.

Li Renjun, advisor to the State Planning Commission, urged that efforts be made to make full use of all feed resources and raise feed efficiency by at least 20 percent.

When the feed processing industry meets the needs of livestock, poultry and aquatic breeding, its total industrial output value will amount to approximately 30 billion yuan. Development of this industry would be a major contribution to quadrupling the country's total industrial and agricultural output value by the end of this century.

An editorial in today's ECONOMIC DAILY stresses the need to heighten the awareness of agricultural workers to the importance of the feed processing industry.

The editorial urges intensified research in feed processing, feedstuff efficiency and production of feed processing machines. This would contribute to a complete feed processing industry which should be set up within the next few years.

CSO: 4020/059

LABOR AND WAGES

'YUNNAN RIBAO' ON NEED FOR REFORM IN WAGE SYSTEM

HK070226 Kunming YUNNAN RIBAO in Chinese 21 Feb 83 p 1

["Short" commentary: "A Reform in the Wage System"]

[Text] Due to reasons in history, the wage system which is now practiced in the industrial and communications enterprises can no longer fully reflect the principle of "from each according to his ability, to each according to his work." The phenomena of "everybody eating from the same big pot" and the "iron rice bowl" which exist in distribution are obviously contradicting the development of productive forces and have greatly obstructed the increase of labor productivity and economic returns. Over the past few years, as a result of adopting the economic responsibility system and restoring the award system, the problem that the enterprises have totally relied on the unified revenues and expenditures of the state has been solved to some extent, and the workers are receiving different wages according to their different contributions. However, there is still a great distance between this and the actual implementation of the principle of more work, more pay, less work, less pay, and no work, no pay. It is necessary to conduct further reforms.

The reforms in the economic field must coordinate with each other. Under the present conditions, it is impossible to conduct a thorough reform in the existing wage system. However, it is possible and is of no harm to conduct a partial reform in light of the actual conditions, after careful investigations and studies, and on the premise of not obstructing the overall reform. The report carried in this paper today on the practice of the floating wage system in the Yimen copper ore mine is a good example of this. The practice of the floating wage system is an important reform, which has overcome the shortcomings of the present wage system and the system of the "iron rice bowl." 1) The amount of total wages has remained unchanged. Thus, the state need not increase expenditures. 2) The state's financial income can be increased by practicing this system and more social wealth can be created. 3) The purpose of more incomes for the state, more reservations for the enterprises and more personal gains for the workers can be achieved.

It is necessary to carefully and conscientiously study the problem of how to carry out and popularize the floating wage system. Since there are different trades, different ownership systems and different types of work, we must apply different methods in various units. The phenomena of egalitarianism

and rushing headlong into mass action must be prevented. Instead of being overhasty, we must carry out this work in a down-to-earth manner and grasp the key problem, that is, overcoming egalitarianism in the internal distribution and raising the economic returns. Provided we firmly grasp this key problem, we will surely achieve successes.

CSO: 4006/364

LABOR AND WAGES

SICHUAN COUNTY INSTITUTES FLOATING-WAGE SYSTEM

HK110007 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 9 Mar 83

[Text] Fengjie County has decided to institute, on a trial basis, the system of area-to-county contracted responsibilities and of floating wages for personnel. This decision was enthusiastically discussed at the three-level cadre meeting convened by the county CPC Committee. Many people said that this was a way to do away with the practice of eating out of the same big pot and was a reform at a key point.

The county has put forward concrete quotas for grain production, cash income, forestry, family planning and the building of spiritual civilization. Each area undertakes contracted responsibilities of these five major quotas and in turn asks production brigades and communes to undertake contracted responsibilities of these quotas. The responsibility system and floating-wage system were established in production brigades and communes. If all tasks are fulfilled, wages, including basic wages, will float up by 7-15 percent. But if the tasks are not fulfilled, wages, including basic wage, will be reduced by 2 percent. The county CPC Committee has taken 40,000 yuan from reserve funds and given it to various areas according to the average number of workers and staff members to be used for wage subsidies. In order to ensure the fulfillment of tasks and to assess the results, county departments concerned will formulate details for implementation and for signing contracts so that a good job will be done in six aspects, including training technical cadres, goods and materials supply, investment and commodity circulation.

CSO: 4006/364

TRANSPORTATION

'JINGJI RIBAO' EXAMINES RED TAPE IN DUCK TRANSPORT

HK021000 Beijing JINGJI RIBAO in Chinese 21 Feb 83 pp 1, 3

[Report by Fang Lichen [2455 7812 6591]: "The Ins and Outs of the Hagglng Over the new Duck Transporter Car"--passages within slantlines published in boldface]

[Text] After the successful experiment using a new-type transporter for the hauling of ducks, this car was put aside and not put into use. This caused a delay in transportation, so that Beijing force-fed ducks involved lost weight, or died. The leading comrades of the State Council have paid great attention to this matter and have instructed the quarters concerned to look into it, with a view to finding a solution. At this point, it is necessary to review the ins and outs of this matter.

//The Birth of a New-type Duck Transporter//

Since the 1960's, our country has all along used converted pig-transport cars for the hauling of live ducks. Those people taking care of ducks lived with the birds in the same car. In the winter, they were chilled to the bone. In the summer, they put up with the repulsive smell and the oppressive heat. Bird droppings were everywhere and the birds quacked almost nonstop. For the workers, working conditions were poor and life was tough. It was also a relatively serious situation, as far as the weight loss or death rate of the poultry was concerned.

At the end of January, 1981, the leading comrades of the State Council became aware of this situation from an internally circulated document. They attached great importance to the matter. They immediately instructed the department concerned to quicken the design of a new-type duck-carrying car. Later, the Ministry of Railways and the Beijing Municipal Grain and Oil Import and Export Company energetically organized technical forces. After 10 months of effort, the first new-type duck-carrying car was successfully trial-produced by the Wuchang rolling stock factory. The new car consisted of four layers, with every two layers equipped with a passage and each layer with a board plus a net to receive droppings. Through the passage, the caretaker cleared off droppings and served food, working conveniently. In addition, there were sleeping quarters for caretakers, with cooking and lighting and other

facilities. Compared with the old version, the new car was an improvement in working conditions and also provided a relatively satisfactory environment for the caretaker. Meanwhile, the loading capacity for each car increased from 1,000 to 1,500 birds, allowing for earnings of 1/3 more in foreign exchange. Everyone hailed the birth of such a new-type car.

//Dispute Over Rental//

On 1 November 1982, after three successful trial operations, the new car returned to Beijing from Shenzhen. This car, which had long been hoped for by everyone, should have been continuously put into operation and allowed to yield still greater economic results. It was never expected that since that day, it had been abandoned, lying alone on the track of the Fengtaixi station. In the latter part of January, this correspondent went aboard this duck-carrying car. It was found that the body was quite all right but the electrical equipment and the door locks had been destroyed.

On 31 January, this newspaper carried a report on this matter. It was pointed out that the main reason for this situation was that the Beijing branch of the China Grain, Oil and Foodstuffs Import and Export Company and the Beijing Railways Bureau had a dispute over the fees for hiring the car, passing the buck to each other. The former held that this new car was "a specimen" that had not been technically assessed by the unit concerned and should not be rented by the railways department as an ordinary car at the regular charge.

Moreover, the said company had invested several thousand yuan in the trial production of the new-type car. This sum should have been paid by the railways department. The latter considered that the new car had been tried three times for free transportation, and had performed fundamental functions satisfactorily. Therefore, it was reasonable to exact a fee for its future use as a transporter. What was the amount charged as rent? It turned out to be only 24 yuan a day. But as each side stuck to its own view, refusing to yield, this new-type duck-carrying car had to be content with the fate expressed by the Chinese saying: "Lying all alone moping in the gloom of the evening and moaning in the face of wind and rain."

On 11 February, this newspaper received a letter from the Beijing branch of the China Grain, Oil and Foodstuffs Import and Export Company. It said: The problem mentioned in your report on the neglect of the new-type car is true. Our company has attached great importance to this matter. Our head office has arranged with the Ministry of Railways to put the new-type car into operation first. The matter of whether or not to sign a lease contract will be discussed separately. To let this new-type car yield economic results as quickly as possible, our company has decided to leave it in the care and control of the foreign trade company of Haidian Prefecture. If there is any problem, please contact them directly.

Thanks to efforts on both sides, an agreement was finally reached on this matter under the principle of "first turning on the green light and then reasoning things out." The last thing expected was that the matter had scarcely been settled when another problem cropped up.

//Dispute Over Quarantine Charges//

On the afternoon of that day, this correspondent had a telephone talk with the Foreign Trade Company of Haidian Prefecture. It was learned that the new car had been loaded with more than 1,500 plump live ducks and would leave from the Fengtaixi Station for Shenzhen that same night, supplying the needs of Hong Kong and Macao residents for the Spring Festival. Unexpectedly, at a little past 9 p.m., when this newspaper called the Fengtaixi station to find out the actual situation, a new problem cropped up, just as the train was leaving. The new-type car was again detained. The second day (the eve of the Chinese New Year), this newspaper again carried a report.

On the afternoon of 15 February (the third day of the first month of the Chinese New Year), this correspondent went to the Fengtaixi station to make an investigation. It was found that of the live ducks detained for 4 days and 4 nights, more than 100 had died. Those surviving had generally lost weight. Why was it that the new-type car still could not leave? Would it wait until all the ducks had died? Therefore, this correspondent invited to a forum Huang Keming, a chief of the Fengtaixi station on duty, Qiao Juxue, a representative of the Beijing branch of the China Grain, Oil and Foodstuffs Import and Export Company posted at the station, Huang Daqiao, a worker on duty at the railway veterinary quarantine station under the leadership of the Beijing Animal Husbandry Bureau, Shao Fang, manager of the Foreign Trade Company of Haidian Prefecture, and other comrades. At the forum, it was learned that the main problem with the failure to let the car, fully loaded with live ducks, leave was a dispute over quarantine charges. Because the unit that wanted the transportation of the ducks had failed to pay the quarantine fee to the railway veterinary quarantine station, the car was not allowed to go. This was actually a problem that had existed for many years. This time it surfaced only accidentally.

According to the regulations formulated by the Ministry of Railways in September 1982, "those units that now issue quarantine certificate are three: the agricultural department, the commercial department and the foreign trade department. For many years, they have been in dispute and have never reached agreement. Before the State Council draws up new regulations, we temporarily accept the quarantine certificates issued by all three sides as effective." Huang Keming of the Fengtaixi station said: We are acting in accordance with the regulations of the Ministry of Railways. A certificate issued by just one side would do. As far as we are concerned, there is no problem in letting the car go. The Foreign Trade Company of Haidian Prefecture also agreed to act according to the regulations of the Ministry of Railways.

But Huang Daqiao of the municipal railway veterinary station said: We are acting in accordance with the regulations of the Beijing Municipal Animal Husbandry Bureau. A certificate issued by the veterinary quarantine station of the producing area should be surrendered in exchange for one issued by the railway veterinary quarantine station before permission for transportation is given against the payment of 2 cents for every live duck. A responsible person of our station has warned us that three duck farms in Haidain

Prefecture have been 1 year behind in payments for quarantine fees. As long as the arrears are not paid off, permission for leaving cannot be given. Permission will be given if we now get a check.

Both sides were a long way from reaching an agreement. At this time, Gao Juxue of the Beijing branch of the China Grain, Oil and Foodstuffs Import and Export Company suggested that the unit requiring the transportation of the ducks write an IOU for the present quarantine fee, so that the car could be allowed to leave. Those arrears were to be paid off later, together with the present amount involved. After a series of talks by the parties concerned, not until the evening of 17 February did the new-type duck-carrying car, detained for more than 3 months, start on its journey southward.

//Further Action To Be Taken on This Matter//

On 16 February, a leading comrade of the State Council handed down instructions on the new-type duck-carrying car. Since 18 February, Shi Hongzhi, vice chairman of Beijing Municipal Economic Planning Committee, had successively summoned the responsible persons of the relevant units to meetings. A tentative suggestion to solve the problem of the duck-carrying car was put forth, the relevant duck farms are still to exchange locally issued quarantine certificates for ones by the municipal railway veterinary station. As to quarantine fees, an IOU may first be used. Actual required formalities are to be completed after clear-cut regulations are formulated.

Now the problem of the duck-carrying car seems to have been initially solved. But this is only an expedient. Various relevant departments in charge have their own regulations. Some regulations even clash with each other. Basic-level units also encounter difficulties of their own. In sum, this matter involves certain problems concerning our national system, general systems, and style. It calls for further action with a view to finding a thorough solution.

TRANSPORTATION

BRIEFS

GUANGXI HIGHWAY BRIDGE--Nanning, 22 Feb (XINHUA)--A reinforced concrete highway bridge across the Xiangjiang has opened to traffic at Huangshane, Quanzhou County, located in the northeastern part of the Guangxi Zhuang Autonomous Region. The arch bridge is 259 meters long and 9 meters wide, with 2-way traffic lanes flanked by 1.5-meter-wide sidewalks. Opening of the bridge will facilitate transport between Guangxi and its neighboring Province of Hunan. Prior to the founding of New China in 1949, three attempts were made to build a bridge at Huangshahe, but all failed because of the Xiangjiang's swift currents and difficult geological conditions. [Text] [OW112343 Beijing XINHUA in English 0723 GMT 22 Feb 83]

SHANGHAI SHIPPING COMPANY--Shanghai, 7 Mar (XINHUA)--Former industrialists in Shanghai have helped start a new shipping line--the Jinjiang Shipping Company--in this biggest industrial and port city of China. The Shanghai Patriotic Construction Company, which was established by former industrialists in October 1979 to promote China's modernization, invested in the new shipping company along with the Shanghai Municipal Ocean Shipping Bureau, the Shanghai Investment and Trust Corporation and the Jinjiang Hotel--one of China's best. Inaugurated last week, the Jinjiang Shipping Company has acquired a ship from a Hong Kong firm, ship's officers from the municipal bureau and chefs from the hotel. Its first shipping service--Shanghai-Hong Kong--is scheduled to start in July. [Text] [Beijing XINHUA in English 1616 GMT 7 Mar 83 OW]

SHANGHAI SECTIONAL BARGE BUILDING--Shanghai, 4 Mar (XINHUA)--China's first streamlined, sectional barge assembly line at Nanjing's Jinling shipyard has helped double output and improve product competitiveness in the international market, shipbuilding officials report. The production line, jointly designed by the Shanghai Shipbuilding Technology Research Institute and the Nanjing Jinling shipyard, was put into trial operation in 1979; mainly for building medium-sized and small ships. From the first feeding of steel plates to the final forming of ship body sections, the entire process involves welding, positioning, rust removing, dust removing and other modern technologies. It improved the working conditions of shipbuilders and reduced labor intensity, the designers say. Experts believe that the success of this production line is of great significance in promoting the technical transformation of medium-sized and small shipyards and upgrading the shipbuilding technology in China. [Beijing XINHUA in English 0717 GMT 4 Mar 83 OW]

SHAANXI BUILDS RAILROAD--Shaanxi Province recently started building a Hanjing-(Dongpo) railroad to transport coal. This railroad begins from Hanjing Township in Pucheng County in the east to (Dongpo) in Tongchuan City in the west. The total length of this railroad will be 35 kilometers. This railroad has been designed by the first survey and design institute of the Ministry of Railways and is being built by a certain unit of the railway corps. With the completion of this railroad, exploitation of coal fields and the development of industrial and agricultural production in the north of the Weihe River will be promoted. [Xian Shaanxi Provincial Service in Mandarin 1130 GMT 28 Feb 83 HK]

HENAN DOUBLE-TRACKS RAILROAD--The double-tracking of the Xinsiang-Jiaozuo railroad has already started. The total length of this railroad is 61.8 kilometers. In June last year, when leading comrades of the State Council were inspecting the southeast part of Shanxi Province, they proposed that it is necessary to build the double-tracking of the Xinsiang-Jiaozuo railroad. At present, the railroad workers are stepping up construction in order to make the double track open to traffic at an early date. [HK110722 Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 5 Mar 83]

SHANDONG RAILWAY CONSTRUCTION--The construction of a railway between Heze in Shandong Province and Xinxiang in Henan Province began on 14 March. This 160 km long railway is one of the key construction projects covered by the Sixth Five-Year Plan, which is scheduled to be completed by 1985. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 14 Mar 83]

ZHEJIANG RAILWAY CONSTRUCTION--To increase its railway transport capacity and serve modernization purposes, Zhejiang Province will build three railways, namely, the Shanghai-Hangzhou double-track railway, the Zhejiang-Jiangxi double-track railway and the Ningbo city (Beilungang) railway. The lengths of the two double-track railways within the boundary of the province will be 97.6 kilometers and 338.4 kilometers respectively. The third one will be 38 kilometers in length. A total investment of 140 million yuan for the construction of these railways will be made during the Sixth Five-Year Plan. The construction of the first two will start within this year, and that of the third in 1984. These railways projects will be completed before the end of 1985. [Hangzhou Zhejiang Provincial Service in Mandarin 1030 GMT 15 Feb 83 OW]

JIANGSU-HENAN HIGHWAY--The State Economic Commission, the Ministry of Communications and the governments of Jiangsu, Anhui and Henan provinces have decided to invest 20 million yuan in building a highway between Xuzhou of Jiangsu and Shangqiu of Henan. This 170-kilometer highway will be completed and opened to traffic by 1 October 1983. Transportation on this highway will be jointly operated by automotive transport companies of the three provinces concerned. [Beijing Domestic Service in Mandarin 1000 GMT 19 Feb 83 OW]

SHANGHAI HIGHWAY CONTAINERIZATION--The Communications and Transport Bureau of Shanghai Municipality has vigorously developed highway container transport. Some 26,000 containers were transported on the highways in 1982. The bureau has refitted over 60 trucks to carry 20- and 40-foot standard-sized containers. The containers, unloaded at Shanghai Harbor, can now be transported on the highways to Shanghai Municipality and to various parts of Jiangsu, Zhejiang and Anhui provinces. [OW030603 Shanghai City Service in Mandarin 2300 GMT 18 Feb 83]

SHANGHAI CONTAINER PORT--Shanghai, 16 Feb (XINHUA)--Two berths for container ships began operation Monday--3 months ahead of schedule--at a specialized wharf in Shanghai port, harbor authorities said. The wharf, a national key construction project, will be able to handle 200,000 containers annually when completed in 1985. The completed first stage of construction includes 2 berths, a container yard of 38,000 square meters, water and power facilities. Port authorities attributed rapid construction of the wharf to the responsibility system, which they said enhanced builders' enthusiasm. [Beijing XINHUA in English 1131 GMT 16 Feb 83 OW]

SHANGHAI DOUBLE-TRACK RAILWAY--Shanghai, 25 Jan (XINHUA)--The project of building a double-track railway line linking Shanghai's Nanxiang station to the newly built Shanghai east station was recently completed and put into service. With the completion of this 12-kilometer section, the Shanghai-Nanjing railway has become a fully double-track railway line. [OW030603 Beijing XINHUA Domestic Service in Chinese 1212 GMT 25 Jan 83]

CSO: 4020/58

PRC TO USE TAX SYSTEM INSTEAD OF PROFIT SHARING

HK070804 Hong Kong MING PAO in Chinese 7 Mar 83 p 5

["Special dispatch": "Tax System Will Be Fully Pushed Ahead Instead of Profit-sharing in Enterprises This Year"]

[Text] Recently an authoritative person in Beijing said: China needs to solve the relations between the state and enterprises, and it is not a long-term method to depend on all-round responsibility for profits. By changing profits into taxes, we can assure state revenue and also arouse the initiative of the enterprises and workers and expand the decision-making right of enterprise production and operation. This is much better than profit-sharing in enterprises. For this reason, the central authorities have decided to fully push ahead a tax system instead of profit-sharing in commerce, industry, communication and other fields this year.

By mid-December 1982, the Chinese Ministry of Finance and the state structural reform committee conducted an investigation and tentative assessment on practicing a tax system instead of profit-sharing among 6,442 state-owned industrial and commercial enterprises in Shanghai, Tianjin and Jinan, of which 2,941 were in Shanghai, 2,715 in Tianjin and 565 in Jinan.

The method used for assessing the taxation of these enterprises was: levy 50 percent income tax on large state-owned enterprises and impose a certain amount of fixed asset charges and floating asset charges. Levy income tax according to a progressive rate of eight grades from small state-owned enterprises and then impose charges on fixed and floating assets.

The results of the tentative assessment on industrial enterprises were: there were 1,641 enterprises in Shanghai, 91 percent of the enterprises under investigation; 477 in Tianjin, 71 percent; and 44 in Jinan, 48 percent, that still had surplus profits after the levying of an income tax, charges on fixed and floating assets and retention of profits by enterprises. The number of enterprises that had no surplus profits after the levying of income taxes and charges on fixed and floating assets, or which could not maintain the present enterprise retention of profits, is as follows: 155 enterprises in Shanghai, 9 percent of the enterprises under investigation; 198 in Tianjin, 29 percent; and 47 in Jian, 52 percent. Ninety-eight percent of the commercial enterprises in Shanghai, 68 percent in Tianjin and 90 percent in Jinan

still had surplus profits. There were only 15 commercial enterprises in Shanghai, 2 percent of the enterprises under investigation; 52 in Tianjin, 32 percent; and 32 in Jinan, 10 percent, that had no surplus profits or could not maintain their present retention of profits after the levying of an income tax and charges on fixed and floating assets.

The results of the above investigation and tentative assessment show that the surplus profits of enterprises after levying income taxes and charges on fixed and floating assets are more or less the same as the present retention of profits of enterprises, therefore, it is feasible to fully push ahead a tax system instead of profit-sharing in state-owned enterprises. This method is more simple and easier than the method of all-round responsibility for profits. It can genuinely embody the principle of the state getting the greater, enterprises getting the medium and individual getting the smaller part and this also conforms to the direction of reforming the structure of economic management.

The investigation group held that some windfall tax can be levied on those enterprises that have high surplus profits. Contracts on fixed proportion, contracts on progressively increasing basis and other kinds of contract systems can be adopted to other enterprises in carrying out all-round responsibility for profits after levying taxes. As to those enterprises that are unable to pay the charges on fixed and floating assets or have surplus profits which are less than enterprise retention of profits after levying income tax, they must, according to circumstances, be exempted from tax charges or be reorganized within a specified time.

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